

## Statement of Accounts 2018/19



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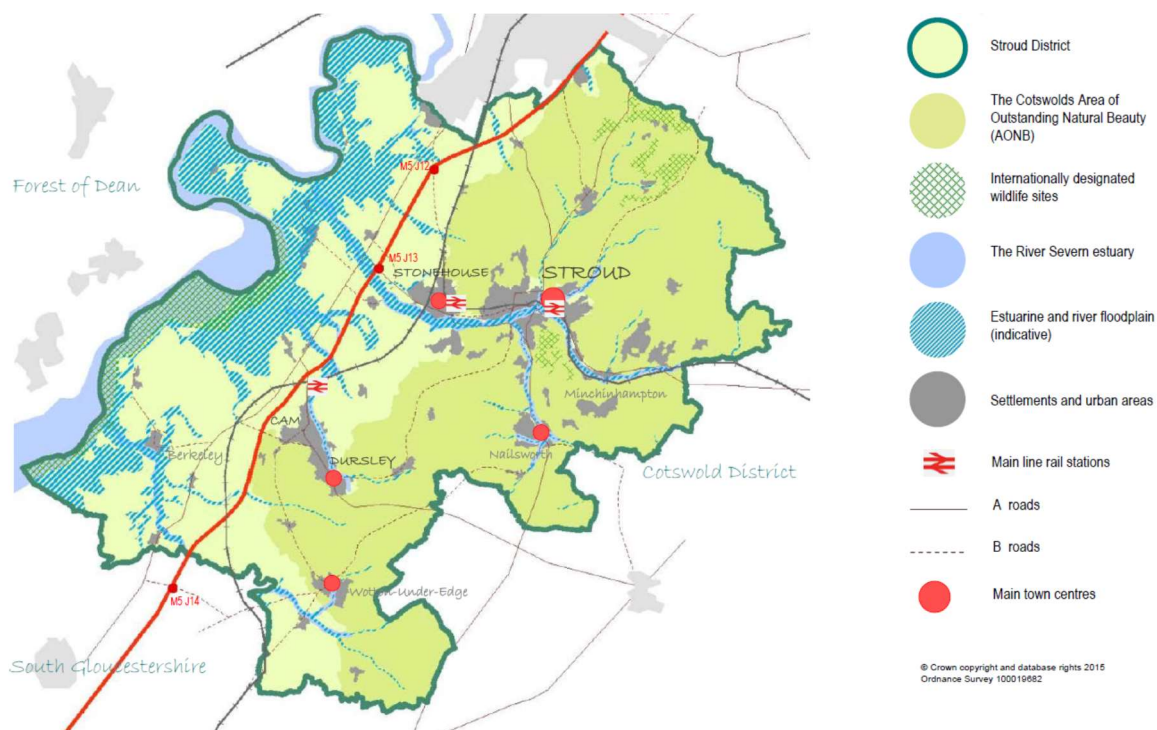
# Chief Financial Officer’s Narrative Report

## Introduction

Welcome to the Narrative Report and Statement of Accounts for Stroud District Council. This narrative report sets the scene and tells the story of the District Council over the past year. Included within are details of the Council and the District, financial and non-financial performance for the past year and prospects for the time ahead. Thank you for taking an interest in the Council and its finances and I hope you find the following information useful and informative.

## 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<sup>2</sup> or 175 miles<sup>2</sup>). 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).



- Stroud has a population of 112,779 (2011 census) living in 51,679 households
- Stroud's population is expected to grow to 134,900 by 2039 (ONS Population Projections)
- 3,837 new houses were built during the period 2006-2015 and 13,216 need to be built between 2019 and 2040

## Political Structure

The Council has 51 elected members representing 28 wards across the District. Elections are held every four years, with the next election due in May 2020.

The current political make-up of the Council is:

Labour	16
Green	9
Liberal Democrat	2
Independent	2
Conservative	22

The Council is administered by a Co-Operative Alliance of the Labour, Green & Independents and Liberal Democrat Parties. The Council has adopted the Committee system as its political management structure. The list of Committees and chairs during the 2018/19 year is as follows.

Strategy and Resources	Councillor Doina Cornell (Leader)
Community Services & Licensing	Councillor Mattie Ross
Housing	Councillor Chas Townley
Environment	Councillor Simon Pickering
Audit and Standards	Councillor Nigel Studdert-Kennedy
Development Control	Councillor Tom Williams

## Senior Management

The Council has seen changes across the Senior Management Structure over the past year. David Hagg retired as the Chief Executive in October 2018, after 17 years of service, and was replaced by Kathy O'Leary, who joined from Tandridge District Council in November 2018.

There have also been changes in both of the other statutory officer posts. The Chief Financial Officer is Andrew Cummings (joined July 2018) and the Interim Monitoring Officer is Patrick Arran (joined March 2019).

## Our Vision and Priorities

Our vision as a Council is:

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

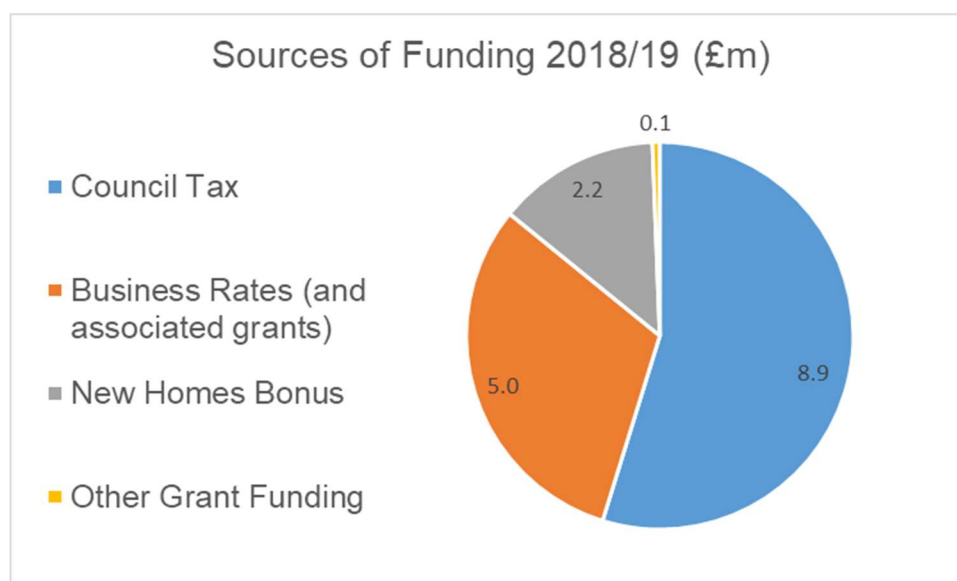
Through our Corporate Delivery Plan, this is divided into five key priorities:

- **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
- **DELIVERY** – Provide value for money to our taxpayers and high quality services to our customers

## In-Year Financial Performance

The final General Fund Revenue budget for 2018/19, including corporate items, was £15.589 million. The final outturn position for the year is £15.365m with funding of £16.246 million, generating an underspend of £881k.

Funding was received in the following amounts:



The detailed outturn position is shown in the following table:

<b>GENERAL FUND</b>	<b>2018/19 Revised Budget (£000)</b>	<b>2018/19 Actual Reserve &amp; Fwds (£000) incl Tfrs Carry</b>	<b>2018/19 Outturn Variance after Reserve Tfrs &amp; Carry Fwds (£000)</b>
Community Services Committee	3,600	3,440	(159)
Housing Committee	552	497	(55)
Environment Committee	4,707	4,739	32
Strategy & Resources Committee	6,272	6,243	(29)
HRA Income	(1,565)	(1,687)	(122)
Other Corporate Income & Expenditure	(405)	(427)	(22)
Accounting Adjustments	4,215	5,150	935
<b>Net Service Revenue Expenditure</b>	<b>17,376</b>	<b>17,955</b>	<b>579</b>
Accounting Adjustments Reversal	(4,180)	(5,150)	(970)
Other Operating Income & Expenditure	2,393	2,560	167
Funding from Govt Grants/Council Tax	(15,589)	(16,246)	(656)
<b>TOTAL General Fund (after transfers)</b>	<b>0</b>	<b>(881)</b>	<b>(881)</b>

Variances against budget were for a variety of reasons across the Council, including:

- Insufficient budget being previously allocated to the Council's Waste and Recycling Service, an issue resolved by the budget approved in January 2019
- Increased income received by the Council's leisure facility at "The Pulse"
- Increases in Business Rates income against original forecasts
- A higher level of income received from the Housing Revenue Account
- Financial provisions made in prior years no longer being needed
- An increase of investment income received

The Council's outturn variance can be summarised in the following table:

Summary of Final Council Position	Overspend / (Underspend) (£000)
<b>Expenditure</b>	
Net Service Committees	(212)
Support Charges to the HRA	(122)
Reversal of Unused Provisions	(130)
Interest Costs	(21)
Unused Savings and Contingencies	(61)
Capital funding costs	(35)
Various Smaller Corporate Savings	(14)
Minimum Revenue Provision	64
	<b>(531)</b>
<b>Income</b>	
Interest Income	(91)
Business Rates (excluding pilot)	(198)
Other Grant Income	(61)
	<b>(350)</b>
<b>Net Underspend for the Year</b>	<b>(881)</b>

The Council's outturn report giving full details of budget performance across the year will be published as part of the June 2019 Strategy and Resources Committee papers available on the Council website.

There has been a net increase in General Fund reserves in the year of £1.672 million as a result of the factors below:

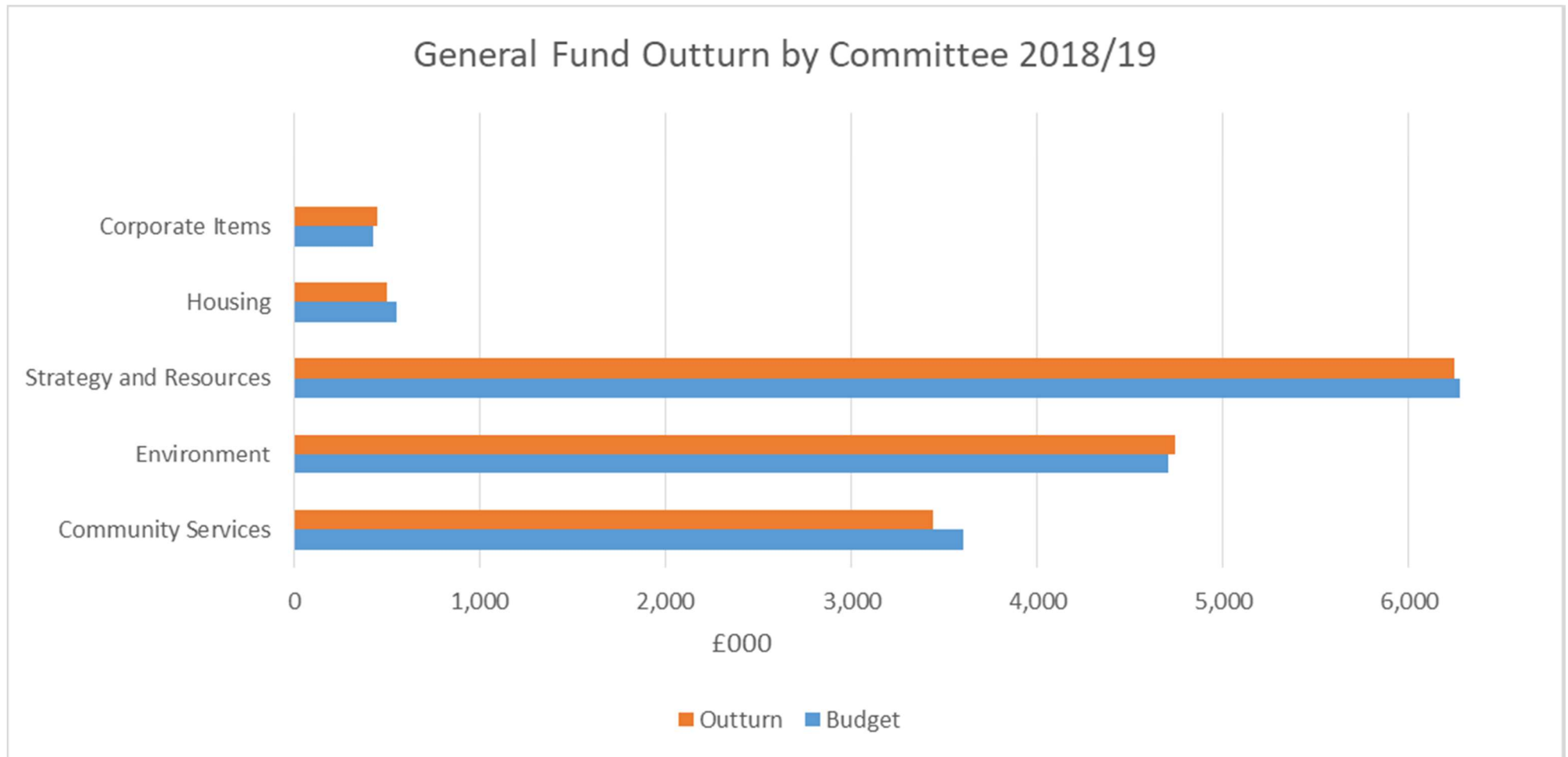
Use of Reserve	Net Movement (£000)
In year expenditure/income	(145)
Budgeted transfers to reserves	1,557
General Fund Underspend	881
Capital Financing	(621)
<b>Total</b>	<b>1,672</b>

A summary of the General Fund Reserve position is shown in the table. Full details of reserve movements are also included in the outturn report.

	<b>2017/18</b>	<b>In-Year</b>	<b>2018/19</b>
	<b>(£000)</b>	<b>Movement</b>	<b>(£000)</b>
		<b>(£000)</b>	
Capital	6,039	(621)	5,418
Business Rates Pilot	0	897	897
Business Rates Safety Net	781	565	1,346
Waste and Recycling	600	0	600
Work Force Plan	650	(162)	488
Other Reserves	2,192	219	2,411
Transformation	0	400	400
Repairs and Replacement	0	200	200
Investment Risk	0	100	100
Equalisation	6,017	74	6,091
General Fund Balance	2,169	0	2,169
<b>Total GF Reserves</b>	<b>18,448</b>	<b>1,672</b>	<b>20,120</b>



The following chart shows a comparison of budget against actual outturn for each of the Service Committees and corporate items of income and expenditure.



## Business Rates Pilot

During the year Gloucestershire has been operating as one of Central Government's pilot areas for 100% Business Rates retention. This means that, with the exception of top-up and tariff payments to Central Government, all business rates collected within the County Area are retained within the County. Authorities across the County agreed that any growth from this arrangement would be split as follows:

- 50% to Gloucestershire County Council
- 30% to the Six District Councils
- 20% to the Strategic Economic Development Fund (SEDF)

The SEDF is administered by the Gloucestershire Economic Growth Joint Committee and is distributed to strategic growth projects around the County.

The total pilot growth retained was £14.3 million of which Stroud District Council received £897k. Gloucestershire is not a pilot region in 2019/20 and this growth is therefore a one-off.

Stroud's gain has been placed in an earmarked reserve for distribution in future years to projects meeting at least one of five key principles:

- Supporting local businesses
- Improving the Council's long-term financial position
- Local Wealth Building
- Supporting a zero-carbon District
- Reducing inequality and poverty

## Housing Revenue Account

The Council owns and maintains its own council housing stock and manages 5,015 properties with a balance sheet value of £260m (2017/18 £271m).

The HRA outturn position for 2018/19 shows a net transfer to general reserves of £0.4m, a decrease of £0.1m over the revised budget position. A net amount of £1.5m has been transferred to earmarked reserves and £1.1m has been transferred from the Major Repairs Reserve. The main reasons for the variance are:

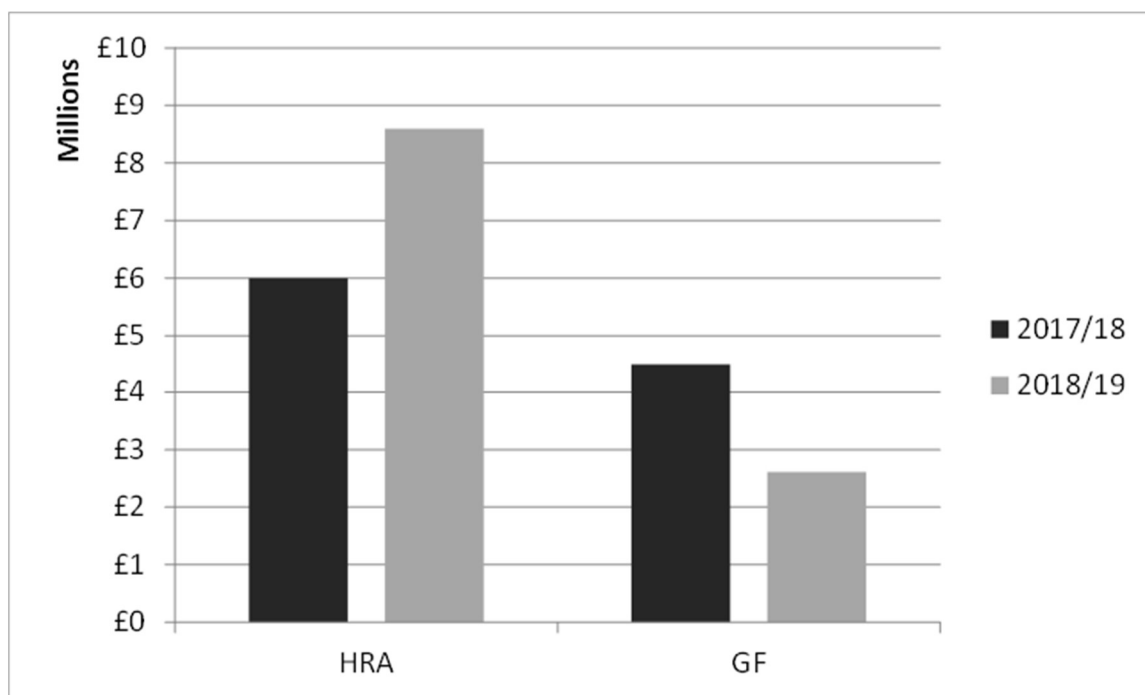
- £0.099m additional income through rents and other charges
- £0.254m additional spend on repairs and maintenance
- £0.069m additional investment income
- £1.011m reduced spend or slippage in major capital works

The following table shows the position of HRA reserves for 2018/19.

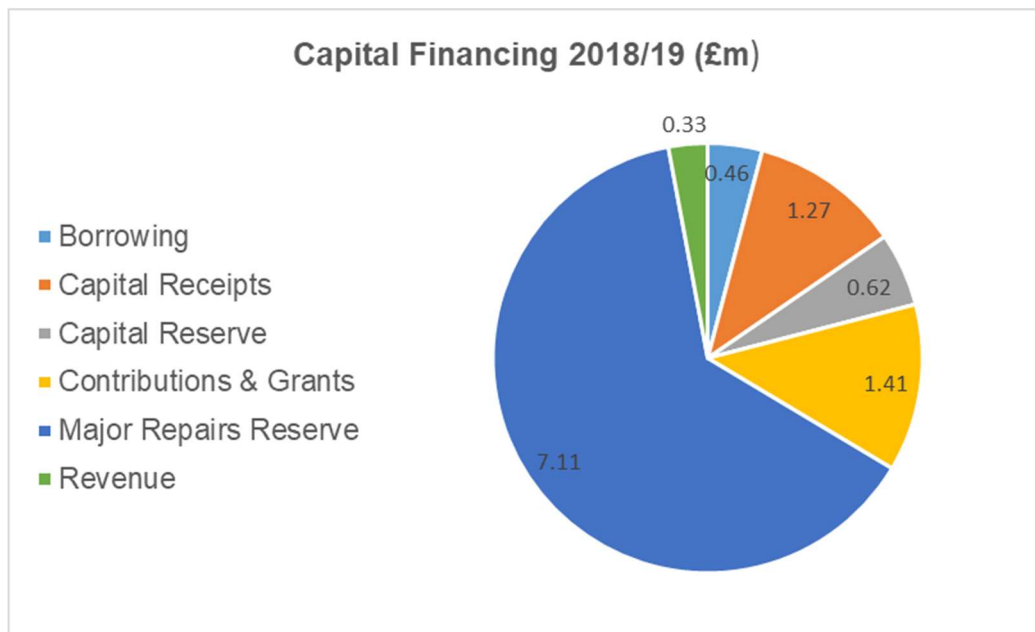
HRA Balances 2018/19	Opening balance 1 April (£000)	Net transfers to/(from) (£000)	Closing balance 31 March (£000)
General Reserves	3,003	383	3,386
Earmarked reserves	2,577	1,518	4,095
Major Repairs Reserve	6,110	(1,159)	4,951
<b>Total balances</b>	<b>11,690</b>	<b>742</b>	<b>12,432</b>

### Capital Outturn

General Fund capital expenditure for 2018/19 was £2.613m (£4.479m in 2017/18). Major General Fund capital projects included vehicle purchases of £459k, the Warm Homes fund (£647k) and the Canal (£309k). HRA Capital spend was £8.593m (£6.002m in 2017/18), of which £1.206m 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.



**Pension Fund performance**

The balance sheet position of the Council’s pension fund deficit has increased in 2018/19 by £10.961m to £48.839m (£37.878m 2017/18). The majority of this change is a result of changes in financial assessments made by the Pension Fund actuaries.

## Non-Financial Performance

The Council continues to perform strongly, particularly in the light of continuing budget uncertainty.

The annual budget survey of residents concluded that 80% of residents are satisfied or very satisfied with the way Stroud District Council delivers services, with 96% being satisfied or very satisfied with the area as a place to live.

The Council has also delivered on a number of the priority actions included within the Corporate Delivery Plan (CDP). These include:

- Transferring the Subscription Rooms to Stroud Town Council and the Subscription Rooms Trust
- Completing the final homes in the Council's five-year new home-building programme, delivering a total of 228 new affordable homes in this time
- Developing a new house-building programme to continue to build on existing success, with work having already started on a number of sites
- Being recognised by Defra for the most improved rate of recycling and lowest residual waste per household. Also, being nominated for two national recycling awards
- Delivering a range of new walking sports and healthy lifestyles programmes including walking football, netball and rugby
- Agreeing a package of funding support to help local market towns deliver priority regeneration projects within their area.

The Council has published a comprehensive report of progress made against corporate objectives during this financial year and this can be viewed at the link for the revised CDP in the "Outlook for the Future" section of this Narrative Report.

Performance management forms a fundamental part of the Committee system, with each Committee having nominated performance management member champions who report to the Committees throughout the year on key performance objectives. These reports can be viewed on the Council website.

The end of March 2019 saw the visit of a Corporate Peer Challenge Team from the LGA. This was a group of senior managers and members from other Councils as well as officials from the LGA. The group spent four days on site gathering information from more than 46 meetings, visiting key sites and carrying out additional research. Collectively, they spent more than 280 hours with the authority before determining their findings.

The resulting report gives a thorough, largely positive assessment of the Council's performance and makes many recommendations for improvement. The Council will now look to develop those recommendations as it looks to further build on existing successes and target areas for improvement.

The full report can be viewed at

<https://www.stroud.gov.uk/media/1032738/item-13-appendix-1-corporate-peer-challenge-feedback-report.pdf>

## The Outlook for the Future

The recent peer challenge report sets out that the Council is in a strong position but needs to strengthen further.

Immediate steps have been taken to act upon the recommendations of that report. On 16 May 2019 the Council approved a revised Corporate Delivery Plan (CDP) for 2019/20 (<https://www.stroud.gov.uk/media/1032737/item-12-corporate-delivery-plan-and-key-actions-for-2019-20.pdf>). This revised CDP updates the actions to be taken by the Council in the upcoming year and focuses on tangible achievable activities to help shape the District. The new Chief Executive is working with elected members and officers across the Council to address the challenges and opportunities presented by the Peer Challenge review.

Longer term, the Council will be embarking on a full review of its CDP using a strong evidence base to establish how it can become a leader of place within the District. This refreshed approach will see the new Senior Leadership Team work in partnership with members and communities to identify and deliver Council priorities. Central to this will be the authority's commitment to "Carbon Neutral 2030", the commitment that the Council will work with others to take the wider district to carbon neutrality by 2030.

The Council has a risk management policy statement and strategy that identifies and evaluates risks. Risk management is incorporated into the Council's decision-making and processes in a consistent manner, and risks are subject to regular review and updating. Recently the Council has undertaken a comprehensive risk assessment around Brexit and what it may mean for the Council so that it can be best prepared. That assessment did not identify any changes required to the financial statements.

Financially, local government is in uncertain times, with no clarity available on what the funding position will be in 2020/21 and beyond. As a District, there are a number of clear threats within the funding environment. These include the future of New Homes Bonus, the reset of Business Rates growth above baselines and the financial support of the Waste Disposal Authority for our Waste and Recycling Services. The Medium Term financial plan (MTFP) has been based on prudent assumptions of likely scenarios and the Council continues to search for opportunities to move towards financial self-sufficiency. At this point in time the Council has a healthy level of reserves for both the General Fund and the Housing Revenue Account, which will mitigate any future changes in funding. The Council actively monitors the funding environment and any changes will be considered as part of its next updates to both the Budget Strategy and the Medium Term Financial Plan.

## Summary of the Core Financial Statements

The Statement of Accounts summarises the Council's financial performance and cash flows for the 2018/19 financial year from 1 April 2018 to 31 March 2019 and its position at the financial year-end of 31 March 2019.

There are five **core financial statements**:

### **Expenditure and Funding Analysis (page 15)**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council 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 is accounted for under generally accepted accounting practices and is presented more fully in the Comprehensive Income and Expenditure Statement.

### **Comprehensive Income and Expenditure Statement (page 16)**

This statement shows the accounting cost in the year of providing the Council's services.

### **Movement in Reserves Statement (page 17)**

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 £6.057m in 2018/19, (2018/19 £42.383m, 2017/18 £36.326m), with Unusable reserves decreasing by £24.470m (2018/19 £147.412m, 2017/18 £171.882m).

### **Balance Sheet (page 19)**

This statement shows the assets and liabilities of the Council. The Total Net Worth of the Council decreased by £18.413m in the year (2018/19 £189.795m, 2017/18 £208.208m).

### **Cash Flow Statement (page 20)**

This statement shows the changes in cash and cash equivalents in the year. There was an increase in cash and cash equivalents of £2.366m (2018/19 £13.188m, 2017/18 £9.446m).

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

### **Housing Revenue Account Income and Expenditure Statement (page 86)**

This statement shows the economic cost in the year of providing Housing services through the HRA.

### **Collection Fund Statement (page 92)**

This statement shows the Council Tax and Non-Domestic Rates (NNDR) income received in the year less precepts and charges to the collection fund. Overall, the deficit on the NNDR element has decreased by £0.491m (2018/19 £0.350m surplus, 2017/18 £0.141m restated deficit). There is a decreased surplus on the Council Tax element of £0.386m (2018/19 £0.771m surplus, 2017/18 £1.157m 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 2019 and of its income and expenditure for the year then ended.

Signed:

Date:

**A Cummings**

**31 July 2019**

**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						
2017/18			2018/19			
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
<i>Figures in £000s</i>						
3,299	-2,368	5,667	Community Services Committee	3,440	-2,505	5,945
4,942	-2,488	7,430	Environment Committee	4,739	-1,926	6,665
512	-1,118	1,630	Housing Committee - General Fund	497	-1,369	1,866
-3,158	2,751	-5,909	Housing committee - Housing Revenue Account (HRA)	-5,529	-4,796	-733
6,030	835	5,195	Strategy & Resources Committee	6,243	4,069	2,174
1,802	1,802	-	Accounting adjustments	-1,687	-1,687	-
274	274	-	Carry forwards	-	-	-
<b>13,701</b>	<b>-312</b>	<b>14,013</b>	<b>Net Cost of Services</b>	<b>7,703</b>	<b>-8,214</b>	<b>15,917</b>
-14,765	554	-15,319	Other income and expenditure	-11,276	297	-11,573
<b>-1,064</b>	<b>242</b>	<b>-1,306</b>	<b>Surplus (-) or Deficit on Provision of Services</b>	<b>-3,573</b>	<b>-7,917</b>	<b>4,344</b>
-22,964			Opening General Fund and HRA balance	-24,028		
-1,064			Surplus or deficit on General Fund and HRA balance in year	-3,573		
<b>-24,028</b>			<b>Closing General Fund and HRA Balance</b>	<b>-27,601</b>		
<b>General Fund Balance</b>	<b>Housing Revenue Account Balance</b>	<b>Total Balances</b>		<b>General Fund Balance</b>	<b>Housing Revenue Account Balance</b>	<b>Total Balances</b>
-16,809	-6,155	-22,964	Opening balance	-18,448	-5,580	-24,028
-1,639	575	-1,064	Surplus (-) / deficit	-1,672	-1,901	-3,573
<b>-18,448</b>	<b>-5,580</b>	<b>-24,028</b>	Closing balance	<b>-20,120</b>	<b>-7,481</b>	<b>-27,601</b>

## 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

2017/18			2018/19				
Gross expenditure	Gross income	Net expenditure		Notes	Gross expenditure	Gross income	Net expenditure
<i>Figures in £000s</i>							
<b>Expenditure on Council Services</b>							
33,939	-28,272	5,667	Community Services Committee		29,347	-23,402	5,945
13,153	-5,723	7,430	Environment Committee		12,313	-5,648	6,665
2,279	-649	1,630	Housing Committee - General Fund		2,436	-570	1,866
14,793	-23,198	-8,405	Housing Committee - Housing Revenue Account		19,076	-22,978	-3,902
2,496	-	2,496	Council dwelling revaluation (material item - page 91)		3,169	-	3,169
5,485	-290	5,195	Strategy & Resources Committee		3,701	-1,528	2,174
<b>72,145</b>	<b>-58,132</b>	<b>14,013</b>	<b>Surplus (-) / Deficit on Operations</b>		<b>70,042</b>	<b>-54,126</b>	<b>15,917</b>
3,937	-2,778	1,159	<b>Other Operating Expenditure</b>	11	5,362	-155	5,207
4,715	-298	4,417	<b>Financing &amp; Investment Income &amp; Expenditure</b>	12	4,853	-522	4,331
-	-20,895	-20,895	<b>Taxation &amp; Non-Specific Grant Income</b>	13	-	-21,111	-21,111
		<b>-1,306</b>	<b>Surplus (-) / Deficit on Provision of Services</b>				<b>4,344</b>
		-19,144	Surplus (-) / deficit on revaluation of property, plant & equipment assets	26			6,022
		-4,051	Actuarial remeasurement gains (-) / losses on pension assets / liabilities	41			8,045
		<b>-23,195</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>14,067</b>
		<b>-24,501</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>18,411</b>

## 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 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 2018/19

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
Notes	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2018</b>	<b>18,448</b>	<b>5,580</b>	<b>6,110</b>	<b>5,233</b>	<b>955</b>	<b>36,326</b>	<b>171,882</b>	<b>208,208</b>
Surplus or (deficit) on provision of services (accounting basis)	(2,084)	(2,260)	-	-	-	(4,344)	-	(4,344)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(14,067)	(14,067)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(2,084)</b>	<b>(2,260)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,344)</b>	<b>(14,067)</b>	<b>(18,411)</b>
Adjustments between accounting basis & funding basis under regulations 9	3,756	4,161	(1,159)	3,951	(308)	10,401	(10,401)	-
<b>Increase / (Decrease) in Year</b>	<b>1,672</b>	<b>1,901</b>	<b>(1,159)</b>	<b>3,951</b>	<b>(308)</b>	<b>6,057</b>	<b>(24,468)</b>	<b>(18,411)</b>
<b>Balance at 31 March 2019</b>	<b>20,120</b>	<b>7,481</b>	<b>4,951</b>	<b>9,184</b>	<b>647</b>	<b>42,383</b>	<b>147,412</b>	<b>189,795</b>

General Fund and HRA balance analysed over			Total
	General Fund	HRA	£000
Amounts earmarked	10 17,951	4,095	22,046
Amounts uncommitted	2,169	3,386	5,555
<b>Total General Fund and HRA balance as at 31 March 2019</b>	<b>20,120</b>	<b>7,481</b>	<b>27,601</b>

### Movement in Reserves Statement 2017/18

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

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

*Movement in Reserve Statement contains rounding (see Glossary) which can affect the arithmetic accuracy of the figures.*

**Balance Sheet****Balance Sheet**

31 March 2018		Notes	31 March 2019
£000			£000
319,950	Property, Plant & Equipment	14	305,655
140	Heritage Assets	15, 45-46	140
3,934	Investment Property	16	3,864
53	Intangible Assets	17	32
323	Long-term Debtors	18	306
<b>324,400</b>	<b>Long-term Assets</b>		<b>309,997</b>
21,103	Short-term Investments	18	25,667
2,441	Assets Held for Sale	22	149
4	Inventories	19	-
13,305	Short-term Debtors	20	8,084
9,446	Cash and Cash Equivalents	21	13,188
<b>46,299</b>	<b>Current Assets</b>		<b>47,088</b>
<b>-15,228</b>	Short-term Creditors	23	<b>-11,008</b>
<b>-15,228</b>	<b>Current Liabilities</b>		<b>-11,008</b>
<b>-2,229</b>	Long-term Creditors	23	<b>-2,213</b>
<b>-1,438</b>	Provisions	24	<b>-1,514</b>
<b>-105,717</b>	Long-term Borrowing	18	<b>-103,717</b>
<b>-37,878</b>	Other Long-term Liabilities	41	<b>-48,839</b>
<b>-147,262</b>	<b>Long-term Liabilities</b>		<b>-156,283</b>
<b>208,208</b>	<b>Net Assets</b>		<b>189,795</b>
36,326	Usable Reserves	25	42,383
171,882	Unusable Reserves	26	147,412
<b>208,208</b>	<b>Total Reserves</b>		<b>189,795</b>

*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

31 March 2018 £000		Notes	31 March 2019 £000
-1,306	Net surplus (-) or deficit on the provision of services		4,344
-11,884	Adjust net surplus or deficit on the provision of services for non-cash movements	27	-25,807
4,706	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		5,717
<b>-8,484</b>	<b>Net cash flows from Operating Activities</b>		<b>-15,746</b>
6,391	Investing Activities	28	10,004
1,000	Financing Activities	29	2,000
<b>-1,093</b>	<b>Net increase (-) or decrease in cash and cash equivalents</b>		<b>-3,742</b>
8,353	Net cash and cash equivalents at the beginning of the reporting period		9,446
<b>9,446</b>	<b>Net cash and cash equivalents at the end of the reporting period</b>	21	<b>13,188</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. Accounting Policies

### (a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19* 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.

### (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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to 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 revised future cash flows.

## **(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. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### **(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 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 2.4% (2.7% in 2017/18) at the IAS19 valuation date (based on the indicative rate of return on high quality corporate bonds – iBoxx AA corporate bond index).
- 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**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost.
- Fair value through profit or loss (FVPL).
- Fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the 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 contributions) 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 Council) 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 2019 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 phase 1A 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. The Council is now working on the development stage of phase 1B, which is potentially a £20m project to link to the national canal network. 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 rental income 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.

#### **(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
- 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 policies 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)
- 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 non-current 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 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.

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 – current 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 as 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 uncertainties.

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

Where some or all of the payment required to settle a provision is expected to be recovered (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 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 & Customs. VAT receivable is excluded from income.

**2. Accounting Standards Issued, not Adopted**

The following changes in accounting standards will be introduced in the 2019/20 Code:

*Amendments to IAS 40 Investment Property: Transfers of Investment Property*  
*Annual Improvements to IFRS Standards 2014-2016 Cycle*  
*IFRIC 22 Foreign Currency Transactions and Advance Consideration*  
*IFRIC 23 Uncertainty over Income Tax Treatments*  
*Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.*

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 Council has applied its judgement that there is no group relationship arising from the Canal works. The Council was successful in May 2018 in obtaining development funding from the Heritage Lottery Fund (HLF) to firm up proposals for a £23.4m Phase 1B canal restoration project, which would see the Stroudwater Navigation linked to the national canal network. Phase 1A of the canal restoration project from Ocean in Stonehouse to Bowbridge in Stroud was concluded in 2017 and included £12m of HLF funding. The restored canal is owned and managed by the Stroud Valleys Canal Company (SVCC). A group relationship between the Council and the SVCC does not exist because the Council does not have access to benefits or exposure to risk of a potential loss from the restored canal.

- 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 2019 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 2019. There is no group relationship.

The Council purchases vehicles that are utilised by Ubico in the provision of services to the Council. As substantially all the rights of ownership are retained by the Council and the vehicles are used exclusively for the benefit of Stroud District Council, they have been accounted for as assets within Property, Plant and Equipment. Those vehicles have a net book value of £2.4m.

- 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 2019 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 one year in useful asset lives would result in an additional £0.618m depreciation charge (£0.175m council dwellings and £0.443m other assets).
Pensions Liability	Estimation of the net liability to pay pensions depends on a	The effects on the net pension liability of changes in individual

	<p>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.</p>	<p>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 £14.912m (2017/18 £12.817m). However, the assumptions interact in complex ways. During 2018/19, the Council's actuaries advised that the net pension liability had increased by £8.045m (decreased by £4.051m 2017/18) as a result of re-measurements by the actuary.</p>
Arrears	<p>At 31 March 2019 the Council had a short-term debtor balance of £9.108m and a bad debt provision of £1.024m or 11.24% of the debt. If collection rates were to deteriorate, an additional bad debt provision would have to be made.</p>	<p>If collection rates were to deteriorate, an additional bad debt provision would have to be made. See notes 18, 20 and 24 for further details of debt outstanding.</p>

## 5. Material Items of Income and Expense

The nature and amount of material items not separately disclosed on the face of the Comprehensive Income and Expenditure Statement are as follows:

- Increase in net pension fund liabilities of £10.961m (see note 41).
- HRA capital programme which includes new build properties was £8.6m (2017/18 £6m). For more detail see note 4 of the HRA financial statements on page 89.

## 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 2018/19

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	-1,253	-478	-774	-2,505
Environment Committee	-1,132	-473	-321	-1,926
Housing Committee - General Fund	-1,224	-69	-76	-1,369
Housing Committee - Housing Revenue Account	-4,283	-513	-	-4,796
Strategy & Resources Committee	-615	1,826	2,858	4,069
Accounting adjustments	-	-	-1,687	-1,687
Carry-forwards				
<b>Net Cost of Services</b>	<b>-8,507</b>	<b>293</b>	<b>-</b>	<b>-8,214</b>
Other income and expenditure from the expenditure and funding analysis	1,231	-1,043	109	297
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>-7,276</b>	<b>-750</b>	<b>109</b>	<b>-7,917</b>

### 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
Support service charges			274	274
<b>Net Cost of Services</b>	<b>-797</b>	<b>-375</b>	<b>860</b>	<b>-312</b>
Other income and expenditure from the expenditure and funding analysis	592	-266	228	554
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>-205</b>	<b>-641</b>	<b>1,088</b>	<b>242</b>

*Note 7 tables contain rounding (see Glossary) which affects the arithmetic accuracy of the figures.*

### **(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 Comprehensive Income and Expenditure Statement.

### **(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.

## 8. Expenditure and Income Analysed by Nature

<b>Expenditure and Income Analysed by Nature</b>		
	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>		
Employee benefits expenses	15,838	15,320
Other services expenses	44,057	39,690
Support service recharges	-	-
Depreciation, amortisation, impairment	9,753	11,970
Gain (-) or loss on disposal of assets		1,129
Council house revaluation	2,496	3,302
Interest payments	4,715	4,613
Precepts and levies	3,462	3,772
Payments to housing capital receipts pool	475	461
<b>Total Expenditure</b>	<b>80,796</b>	<b>80,257</b>
<b>Income</b>		
Fees, charges and other service income	-32,715	-30,839
Support service income	-	-
Interest and investment income	-298	-677
Gain (-) or loss on disposal of assets	-1,891	-
General fund revaluations	-	-210
Income from council tax and non-domestic rates	-16,024	-17,734
Government grants and contributions	-31,174	-26,454
<b>Total Income</b>	<b>-82,102</b>	<b>-75,914</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>-1,306</b>	<b>4,344</b>

## 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 and Funding Basis under Regulations 2018/19

2018/19	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments to the Revenue Resources</b>						
<i>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:</i>						
Pensions costs (transferred to (or from) the Pensions Reserve)	-34	784	-	-	-	-750
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	-108	-	-	-	-	108
Holiday pay (transferred to the Accumulated Absences Reserve)	-1	-	-	-	-	1
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)	4,361	10,689	-	-	-	-15,050
<b>Total Adjustments to Revenue Resources</b>	<b>4,218</b>	<b>11,473</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-15,691</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-50	-5,667	-	5,717	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	34	-	-34	-	-
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	2,218	4,594	-	-	-	-6,812
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	461	-	-	-461	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-5,954	5,954	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-1,355	-	-	-	-	1,355
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,274</b>	<b>-6,993</b>	<b>5,954</b>	<b>5,222</b>	<b>-</b>	<b>-5,457</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-1,270	-	1,270
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-7,113	-	-	7,113
Application of capital grants to finance capital expenditure	-1,105	-	-	-	-308	1,413
Capital expenditure charged against the General Fund and HRA balances	-631	-319	-	-	-	950
<b>Total Adjustments to Capital Resources</b>	<b>-1,736</b>	<b>-319</b>	<b>-7,113</b>	<b>-1,270</b>	<b>-308</b>	<b>10,746</b>
<b>Total Adjustments</b>	<b>3,756</b>	<b>4,161</b>	<b>-1,159</b>	<b>3,951</b>	<b>-308</b>	<b>-10,401</b>

### Adjustments between Accounting Basis & Funding Basis under Regulations 2017/18

2017/18	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	
<b>Adjustments to the Revenue Resources</b>						
<i>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:</i>						
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
<b>Total Adjustments to Revenue Resources</b>	<b>6,363</b>	<b>6,784</b>	-	-	-	<b>-13,147</b>
 <b>Adjustments between Revenue and Capital Resources</b>						
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
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-645</b>	<b>-10,089</b>	<b>8,198</b>	<b>4,198</b>	-	<b>-1,662</b>
 <b>Adjustments to Capital Resources</b>						
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
<b>Total Adjustments to Capital Resources</b>	<b>-1,492</b>	<b>-1,163</b>	<b>-3,506</b>	<b>-2,455</b>	<b>162</b>	<b>8,454</b>
<b>Total Adjustments</b>	<b>4,226</b>	<b>-4,468</b>	<b>4,692</b>	<b>1,743</b>	<b>162</b>	<b>-6,355</b>

*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 2018/19.

Transfers to / from Earmarked Reserves 2018/19							
	<b>Balance 1 April 2017 £000</b>	Tsfers From 2017/18 £000	Tsfers To 2017/18 £000	<b>Balance 31 March 2018 £000</b>	Tsfers From 2018/19 £000	Tsfers To 2018/19 £000	<b>Balance 31 March 2019 £000</b>
<b>General Fund:</b>							
Brexit reserve	-	-	-	-	-	18	18
Building control shared service	142	-	38	180	-	44	224
Business rates pilot	-	-	-	-	-	897	897
Business rates safety net	281	-	500	781	-	565	1,346
Capital	5,836	-497	700	6,039	-621	-	5,418
Climate change	671	-503	-	168	-	32	200
Community infrastructure levy	-41	-90	25	-106	-42	366	218
Efficiency and invest to save	-	-	150	150	-68	18	100
Homelessness prevention	30	-	35	65	-	33	98
Investment risk	-	-	-	-	-	100	100
Jobs and growth	450	-450	-	-	-	-	-
Legal counsel	50	-	-	50	-	-	50
Littlecombe	50	-50	-	-	-	-	-
Merrywalks car park	222	-	205	427	-427	-	-
Miscellaneous General Fund	-	-	273	273	-	150	423
MRP / VRP equalisation	-	-	250	250	-	-	250
MTFP equalisation	6,000	-	17	6,017	-	74	6,091
Neighbourhood planning grant	71	-	-	71	-24	-	47
Opportunity land purchase	250	-	-	250	-	-	250
PDG	-	-	36	36	-	14	50
Pension fund	-	-	120	120	-	85	205
Planning appeal costs	100	-	-	100	-	-	100
Redundancy	400	-	250	650	-162	-	488
Repairs and replacement	-	-	-	-	-	200	200
Street cleaning funding	-	-	-	-	-	20	20
The Pulse	130	-	-	130	-	-	130
Transformation	-	-	-	-	-	400	400
Waste management	-	-	600	600	-	-	600
Welfare reform	-	-	30	30	-	-	30
<b>Total earmarked reserves - General Fund</b>	<b>14,640</b>	<b>-1,590</b>	<b>3,229</b>	<b>16,279</b>	<b>-1,344</b>	<b>3,016</b>	<b>17,951</b>
<b>HRA:</b>							
HRA earmarked reserve	942	-561	2,196	2,577	-852	2,370	4,095
<b>Total earmarked reserves - HRA</b>	<b>942</b>	<b>-561</b>	<b>2,196</b>	<b>2,577</b>	<b>-852</b>	<b>2,370</b>	<b>4,095</b>
<b>Total earmarked reserves</b>	<b>15,582</b>	<b>-2,151</b>	<b>5,425</b>	<b>18,856</b>	<b>-2,196</b>	<b>5,386</b>	<b>22,046</b>

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

**11. Other Operating Expenditure**

<b>Other Operating Expenditure</b>		
<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
3,331	Parish Council Precepts	3,636
-887	Miscellaneous costs/income	-155
131	Levies	136
475	Payments to the Government Housing Capital Receipts Pool	461
-1,891	Gains (-) / losses on the disposal of non-current assets	1,129
<b>1,159</b>	<b>Total Other Operating Expenditure</b>	<b>5,207</b>

**12. Financing and Investment Income and Expenditure**

<b>Financing and Investment Income and Expenditure</b>		
<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
3,601	Interest payable and similar charges	3,570
1,114	Net interest on the net defined benefit liability	1,043
-256	Interest receivable and similar income	-504
-32	Clean Energy Cashback	-18
-10	Income and expenditure in relation to investment properties and changes in their fair value	240
<b>4,417</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>4,331</b>

**13. Taxation and Non-Specific Grant Income**

<b>Taxation and Non-Specific Grant Income</b>		
<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
-11,862	Council tax income	-12,516
-4,162	Non-domestic rates	-5,218
-3,263	Non-ringfenced government grants	-2,273
-1,608	Capital grants and contributions	-1,104
<b>-20,895</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>-21,111</b>

## 14. Property, Plant and Equipment

Property, Plant and Equipment						
Movements in 2018/19	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
<b>Cost or valuation</b>						
At 1 April 2018	382,782	2,082	50,627	8,479	428	444,398
Additions	7,387	1,206	-	459	-	9,052
Donations	-	-	-	-	-	-
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	-6,148	-	131	-	-	-6,017
Revaluation increases/decreases (-) recognised in the Surplus / Deficit on the Provision of Services	-2,667	-672	381	-	-	-2,958
Derecognition - disposals	-1,342	-167	-1,703	-	-48	-3,260
Derecognition - disposals recognised in revaluation reserve	-177	-3	-931	-	-	-1,111
Transfers	-658	1,184	-798	-	-52	-324
<b>At 31 March 2019</b>	<b>379,177</b>	<b>3,630</b>	<b>47,707</b>	<b>8,938</b>	<b>328</b>	<b>439,780</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
At 1 April 2018	-111,547	-	-9,077	-3,647	-173	-124,444
Depreciation charge	-5,954	-	-573	-968	-19	-7,514
Depreciation written out to the Revaluation Reserve	-	-	-730	-	-	-730
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,954	-	-	-	-	5,954
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-7,387	-	-	-	-	-7,387
<b>At 31 March 2019</b>	<b>-118,934</b>	<b>-</b>	<b>-10,380</b>	<b>-4,615</b>	<b>-192</b>	<b>-134,121</b>
<b>Net Book Value</b>						
<b>At 31 March 2019</b>	<b>260,243</b>	<b>3,630</b>	<b>37,327</b>	<b>4,323</b>	<b>136</b>	<b>305,655</b>
At 31 March 2018	271,235	2,082	41,550	4,832	255	319,950

\*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						
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
<b>Cost or valuation</b>						
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
<b>At 31 March 2018</b>	<b>382,782</b>	<b>2,082</b>	<b>50,627</b>	<b>8,479</b>	<b>428</b>	<b>444,398</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
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
<b>At 31 March 2018</b>	<b>-111,547</b>	<b>-</b>	<b>-9,077</b>	<b>-3,647</b>	<b>-173</b>	<b>-124,444</b>
<b>Net Book Value</b>						
<b>At 31 March 2018</b>	<b>271,235</b>	<b>2,082</b>	<b>41,550</b>	<b>4,832</b>	<b>255</b>	<b>319,950</b>
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.

*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 two capital schemes with contractual commitments greater than £300,000 as at 31 March 2019. They are new housing schemes at Tanners Piece, Nailsworth, £737k and Southbank, Woodchester, £1.129m.

**Revaluations**

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years, and are materially correct. Valuations of Council Houses, Subscription Rooms and investment properties were carried out by external valuers Bruton Knowles. Other property valuations 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.

## 15. Heritage Assets

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

<b>Heritage Assets</b>				
	<b>Heritage Properties</b>	<b>Painting</b>	<b>Warwick Vase</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>				
At 1 April 2017	20	80	40	<b>140</b>
<b>At 31 March 2018</b>	<b>20</b>	<b>80</b>	<b>40</b>	<b>140</b>
<b>Cost or valuation</b>				
At 1 April 2018	20	80	40	<b>140</b>
<b>At 31 March 2019</b>	<b>20</b>	<b>80</b>	<b>40</b>	<b>140</b>

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.

## 16. Investment Properties

<b>Investment Properties - Fair Value</b>		
	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Balance at start of the year	2,393	3,934
<b>Additions:</b>	1,896	-
Purchases		
Construction		
Subsequent expenditure		
<b>Disposals:</b>	-	-
<b>Revaluations:</b>		
Net gains / losses (-) from fair value adjustments	10	<b>-245</b>
<b>Transfers:</b>		
To (-) / from council dwellings	-	175
To (-) / from other land & buildings	<b>-365</b>	-
<b>Other changes:</b>	-	-
	<b>3,934</b>	<b>3,864</b>

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 licences 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 £21k charged to revenue in 2018/19 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:

<b>Intangible Assets</b>		
	<b>Purchased Software Licences</b>	
	<b>2017/18 £000</b>	<b>2018/19 £000</b>
Balance at start of year:		
Gross carrying amounts	572	572
Accumulated amortisation	-496	-519
<b>Net carrying amount at 1 April</b>	<b>76</b>	<b>53</b>
Additions:		
Internal development		
Purchases	-	-
Amortisation for the period	-23	-21
<b>Net carrying amount at 31 March</b>	<b>53</b>	<b>32</b>

## 18. Financial Instruments

### Categories of Financial Instruments

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

<b>Categories of Financial Instruments</b>				
	Long-term		Current	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
<b>Investments</b>				
Loans and receivables	-	-	21,103	25,667
Financial assets at fair value through profit and loss	-	-	-	-
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>21,103</b>	<b>25,667</b>
<b>Debtors</b>				
Loans and receivables	323	306	13,305	8,084
Financial assets carried at contract amounts	-	-	-	-
<b>Total Debtors</b>	<b>323</b>	<b>306</b>	<b>13,305</b>	<b>8,084</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	-103,717	-103,717	-2,000	-
Financial liabilities at fair value through profit and loss	-	-	-	-
<b>Total Borrowings</b>	<b>-103,717</b>	<b>-103,717</b>	<b>-2,000</b>	<b>-</b>
<b>Creditors</b>				
Financial liabilities carried at amortised cost	-	-	-	-
Financial liabilities carried at contract cost	-2,229	-2,213	-15,228	-11,008
<b>Total Creditors</b>	<b>-2,229</b>	<b>-2,213</b>	<b>-15,228</b>	<b>-11,008</b>

### 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 2018/19 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 31 March 2019, 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:

<b>Fair Values - Liabilities</b>				
	<b>31 March 2018</b>		<b>31 March 2019</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financial liabilities	105,717	127,681	103,717	129,259
Long-term creditors	2,229	1,887	2,213	1,840
Short-term creditors	15,228	15,228	11,008	11,008

The fair value of financial liabilities is shown as higher than the carrying amount because the interest rate was lower at the 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 March 2018		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans & receivables	34,408	34,408	33,751	33,751
Long-term debtors	323	268	306	254
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 five 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 was issued which utilised £0.9m of the available guarantee. As at March 2019 there are no arrears cases, and there have been no reposessions under the scheme since inception. The financial guarantee continues for five 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 five year period, in which case the financial guarantee for that mortgage extends for a further two years. The unexpired guarantee liability as at 31 March 2019 was £53,250.

## 19. Inventories

	Inventories					
	Bar Stock		Garden Waste Bins		Total	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
<b>Balance outstanding at 1 April</b>	5	4	22	-	27	4
Purchases	37	25	-	-	37	25
Recognised as an expense in the year	-36	-25	-	-	-36	-25
Written off balances	-2	-4	-22	-	-24	-4
<b>Balance outstanding at 31 March</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>

**20. Debtors**

<b>Debtors</b>		
	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	4,648	1,925
Other local authorities	5,321	858
Other entities & individuals	3,336	5,301
<b>Total Debtors</b>	<b>13,305</b>	<b>8,084</b>

**21. Cash and Cash Equivalents**

<b>Cash and Cash Equivalents</b>		
	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
Cash held by the Authority	4	3
Bank current accounts	-897	-595
Short-term deposits with banks	10,339	13,780
<b>Total Cash and Cash Equivalents</b>	<b>9,446</b>	<b>13,188</b>

**22. Assets Held for Sale**

<b>Assets Held for Sale</b>		
	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>
<b>Balance outstanding at 1 April</b>	<b>850</b>	<b>2,441</b>
Assets newly classified as held for sale:		
Other Land	1,946	149
Revaluation gains	495	
Assets declassified as held for sale:		
Assets sold	-850	-2,441
<b>Balance outstanding at 31 March</b>	<b>2,441</b>	<b>149</b>

**23. Creditors**

<b>Creditors</b>				
	<b>Current</b>		<b>Non-Current</b>	
	<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>
Central government bodies	3,600	2,160	2,000	2,000
Other local authorities	6,064	2,850	-	-
Public corporations & trading funds	-	-	229	213
Other entities & individuals	5,564	5,998	-	-
<b>Total Creditors</b>	<b>15,228</b>	<b>11,008</b>	<b>2,229</b>	<b>2,213</b>

**24. Provisions**

<b>Provisions</b>					
	<b>Land Charges £000</b>	<b>Housing Repairs £000</b>	<b>Municipal Mutual £000</b>	<b>NNDR £000</b>	<b>Total £000</b>
<b>Balance at 1 April 2018</b>	121	624	25	668	1,438
Additional provisions made in 2018/19	-	-	-	222	222
Amounts used in 2018/19	-	-	-	-	-
Unused amounts reversed in 2018/19	-121	-	-25	-	-146
<b>Balance at 31 March 2019</b>	<b>-</b>	<b>624</b>	<b>-</b>	<b>890</b>	<b>1,514</b>

Provisions for Land Charges and Municipal Mutual have been closed, and some additional provision in relation to NNDR business rates appeals has been included.

**25. Usable Reserves**

<b>Usable Reserves</b>		
<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
2,169	General Fund	2,169
16,279	Earmarked General Fund Reserves	17,951
3,003	Housing Revenue Account	3,386
2,577	Earmarked HRA Reserves	4,095
6,110	Major Repairs Reserve	4,951
5,233	Capital Receipts Reserve	9,184
955	Capital Grants Unapplied	647
<b>36,326</b>	<b>Total Usable Reserves</b>	<b>42,383</b>

## 26. Unusable Reserves

<b>Unusable Reserves</b>	
<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>
50,012	41,739
164,168	156,657
-42,380	-51,175
221	329
-139	-138
<b>171,882</b>	<b>147,412</b>
<b>Total Unusable Reserves</b>	

### 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, or
- Disposed of and the gains are realised

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

<b>Revaluation Reserve</b>	
<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>
<b>31,473</b>	<b>50,012</b>
<b>Balance at 1 April</b>	
19,430	10,267
-286	-16,289
	to the Surplus/Deficit on the Provision of Services
<b>19,144</b>	<b>-6,022</b>
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	
-280	-730
	Difference between fair value depreciation and historical cost depreciation
-325	-1,521
	Accumulated gains on assets sold or scrapped
<b>-605</b>	<b>-2,251</b>
<b>Amount written off to the Capital Adjustment Account</b>	
<b>50,012</b>	<b>41,739</b>
<b>Balance at 31 March</b>	

**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 subsequent costs as depreciation; impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and 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.

<b>Capital Adjustment Account</b>		
<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
<b>168,651</b>	<b>Balance at 1 April</b>	<b>164,168</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>	
-14,343	Charges for depreciation and impairment of non-current assets	-9,677
4,932	Revaluation (losses)/gains on PPE	-2,958
-23	Amortisation of intangible assets	-21
-2,453	Revenue expenditure funded from capital under statute	-2,154
-2,785	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	-6,812
<b>-14,672</b>		<b>-21,622</b>
605	Adjusting amounts written out of the Revaluation Reserve	2,251
<b>-14,067</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>-19,371</b>
	<i>Capital financing applied in the year:</i>	
2,455	Use of the Capital Receipts Reserve to finance new capital expenditure	1,270
3,506	Use of the Major Repairs Reserve to finance new capital expenditure	7,113
116	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
408	Application of grants to capital financing from the Capital Grants Unapplied Account	1,413
1,120	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,355
1,969	Capital expenditure charged against the General Fund and HRA balances	950
<b>9,574</b>		<b>12,101</b>
10	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-240
<b>9,584</b>		<b>11,861</b>
<b>164,168</b>	<b>Balance at 31 March</b>	<b>156,657</b>

*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 contributions to the 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.

<b>Pensions Reserve</b>	
<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>
<b>-45,207</b>	<b>-42,380</b>
<b>Balance at 1 April</b>	
2,451	-10,814
Actuarial gains or losses on pensions assets and liabilities	
-3,335	-2,064
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	
3,711	4,083
Employers pension contributions and direct payments to pensioners payable in the year	
<b>-42,380</b>	<b>-51,175</b>
<b>Balance at 31 March</b>	



### 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 ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>Collection Fund Adjustment Account</b>	
<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>
<b>269</b>	<b>221</b>
<i>Balance at 1 April</i>	
<i>Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements:</i>	
3	<b>-63</b>
<b>-51</b>	171
<b>221</b>	<b>329</b>
<i>Balance at 31 March</i>	

### Accumulated Absences Account

The Accumulated Absences 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.

<b>Accumulated Absences Account</b>	
<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>
<b>-142</b>	<b>-139</b>
<i>Balance at 1 April</i>	
142	139
<i>Settlement or cancellation of accrual made at the end of the preceding year</i>	
<b>-139</b>	<b>-138</b>
<i>Amounts accrued at the end of the current year</i>	
<i>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</i>	
<b>3</b>	<b>1</b>
<b>-139</b>	<b>-138</b>
<i>Balance at 31 March</i>	

**27. Cash Flow Statement – Operating Activities****Cash Flow Statement - Non-Cash Items Included in Surplus (-) / Deficit on Provision of Services**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
-1,464	Depreciation charges	-1,560
-23	Amortisation charges	-21
-7,723	Impairments and revaluations	-13,229
-4,345	Increase (-) / decrease in creditors	4,220
5,808	Increase / decrease (-) in debtors	-5,222
-15	Increase / decrease (-) in long-term debtors	-17
-773	Increase (-) / decrease in provisions	-76
-23	Increase / decrease (-) in inventories	-4
-	Pension prepayment	-2,167
-1,224	Non-cash charges for retirement benefits	-750
-2,782	Carrying amount of non-current assets sold	-6,812
10	Investment properties' revaluation	-240
670	Other non-cash items	71
<b>-11,884</b>	<b>Non-cash items in Net Surplus (-) / Deficit</b>	<b>-25,807</b>

**28. Cash Flow Statement – Investing Activities****Cash Flow Statement - Investing Activities**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
10,481	Purchase of property, plant and equipment, investment property and intangible assets	11,206
28,502	Purchase of short-term and long-term investments	47,672
-4,706	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-5,717
-27,886	Proceeds from short-term and long-term investments	-43,157
<b>6,391</b>	<b>Net cash flows from investing activities</b>	<b>10,004</b>

**29. Cash Flow Statement – Financing Activities**

<b>Cash Flow Statement - Financing Activities</b>	
<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>
-	-
-	-
1,000	2,000
<b>1,000</b>	<b>2,000</b>
<b>Net cash flows from financing activities</b>	

**30. Acquired or Discontinued Operations and Transferred Services**

At the end of March 2019 the Subscription Rooms, a historic entertainments venue, transferred to Stroud Town Council and Stroud Subscription Rooms Trust. There were no discontinued or acquired operations during 2017/18.

**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:

<b>Members' Allowances</b>		
	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Allowances	328	329
Expenses	5	4
<b>Total Members' Allowances</b>	<b>333</b>	<b>333</b>

### 33. Officers' Remuneration

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

<b>Officers' Remuneration</b>				
	<b>Year</b>	<b>Salary, Fees &amp; Allowances £</b>	<b>Pension Contribution £</b>	<b>Total £</b>
Chief Executive *	2018/19	97,262	17,507	114,769
	2017/18	112,262	19,943	132,205
Director (Tenant & Corporate Services)	2018/19	77,501	13,779	91,280
	2017/18	70,320	12,658	82,978
Director (Development Services)	2018/19	74,593	13,427	88,020
	2017/18	70,320	12,658	82,978
Director (Customer Services)	2018/19	74,611	13,430	88,041
	2017/18	70,320	12,658	82,978
Section 151 Officer **	2018/19	58,073	10,453	68,526
	2017/18	55,462	9,983	65,445
Legal Services Manager and Monitoring Officer ***	2018/19	36,176	6,512	42,688
	2017/18	61,937	11,149	73,086

\* A new Chief Executive started on 26 November 2018 and the former Chief Executive left on 5 October 2018, so the post was vacant for a period of time.

\*\* A new Section 151 Officer was appointed and started on 25 July 2018.

\*\*\* The Legal Services Manager and Monitoring Officer left on 28 October 2018. This post was then covered by an interim not directly employed by the Council.

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

<b>Remuneration Band</b>	<b>2017/18 Number of employees</b>	<b>2018/19 Number of employees</b>
£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:

<b>External Audit Costs</b>		
	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
External audit services carried out by the appointed auditor for the year	52	40
Certification of grant claims and returns by KPMG	13	9
Other services provided during the year by the appointed auditor	-	-
<b>Total External Audit Costs</b>	<b>65</b>	<b>49</b>

### 35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19 and 2017/18:

<b>Grant Income, Contributions and Donations</b>		
	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
<b>Credited to Taxation and Non-specific Grant Income</b>		
MHCLG Revenue Support Grant	347	-
MHCLG Transitional Payments	103	-
MHCLG - New Homes Bonus Scheme	2,724	2,174
MHCLG - New Burdens	50	12
Other government grants	40	87
<b>Capital Grants and Contributions:</b>		
MHCLG Disabled Facilities Grants	436	94
Homes and Communities Agency Grant	116	-
Energy Efficiency Contract (SWEA)	125	-
CCG Health Through Warmth	60	340
Warmer Homes Fund	47	648
Other Capital Grants and Contributions	824	22
<b>Total</b>	<b>4,871</b>	<b>3,377</b>
<b>Credited to Services</b>		
DWP Housing Benefit Grant	22,375	20,822
DWP Discretionary Housing Payments / In and Out of Work	166	117
DWP Housing Benefit Administration Grant	487	478
MHCLG Flexible Homelessness Support Grant	-	112
MHCLG Business Rate Collection	166	157
GCC Recycling Credits	1,059	1,068
Other grants	2,050	323
<b>Total</b>	<b>26,304</b>	<b>23,077</b>

*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 2018/19 and 2017/18 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 2018/19, the Council chose not to do so. The company was formed in 2009 to hold land associated with the Canal Restoration Project led by the Council and to maintain and operate the canal post-restoration. All payments to SVCC during 2018/19 relate to the Agreement between the respective parties dated 16 March 2012.

Also, the Council is one of seven equal shareholders of Ubico Limited. 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 Limited took over collection of waste and recycling from Veolia Limited. 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.

<b>Capital Expenditure and Financing</b>		
	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	<b>111,457</b>	<b>112,364</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	8,028	9,052
Intangible Assets	-	-
Revenue Expenditure Funded from Capital under Statute	2,453	2,154
<b>Sources of Finance</b>		
Capital receipts	-2,455	-1,270
Government grants and other contributions	-524	-1,413
Sums set aside from revenue	-4,156	-7,734
Direct revenue contributions	-1,319	-330
Minimum Revenue Provision	-837	-927
Voluntary Revenue Provision	-283	-428
<b>Closing Capital Financing Requirement</b>	<b>112,364</b>	<b>111,468</b>
<b>Explanation of movement in year</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	907	-896
<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>907</b>	<b>-896</b>

### 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:

<b>Future Minimum Lease Payments</b>		
	<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>
Not later than one year	84	63
Later than one year and not later than five years	147	63
Later than five years	-	-
<b>Total Future Minimum Lease Payments</b>	<b>231</b>	<b>126</b>

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

<b>CI&amp;E Expenditure in year</b>		
	<b>2017/18 £000</b>	<b>2018/19 £000</b>
Minimum lease payments	84	63
	<b>84</b>	<b>63</b>

#### **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:

<b>Authority as Lessor</b>		
	<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>
Not later than one year	71	71
Later than one year and not later than five years	142	71
Later than five years	-	-
<b>Total Authority as Lessor</b>	<b>213</b>	<b>142</b>



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 2018/19 nil contingent rents were receivable by the Council (2017/18 nil).

### 39. Impairment Losses

During 2018/19 the Council has recognised an impairment loss of £8.498m (£3.794m loss in 2017/18). This is analysed below:

Impairment Losses						
2017/18				2018/19		
Impairment charges to Surplus / Deficit (-)	Impairment charges to Revaluation Reserve	Total		Impairment charges to Surplus / Deficit (-)	Impairment charges to Revaluation Reserve	Total
£000	£000	£000		£000	£000	£000
3,493	179	3,672	Council Dwellings	7,387	6,325	13,712
-	122	122	Other Land and Buildings	-	934	934
-	-	-	Vehicles, Plant and Equipment	-	-	-
-	-	-	Infrastructure	-	-	-
-	-	-	Community Assets	-	-	-
-	-	-	PPE under Construction	-	-	-
-	-	-	Investment Properties	-	-	-
-	-	-	Intangible Assets	-	-	-
<b>3,493</b>	<b>301</b>	<b>3,794</b>		<b>7,387</b>	<b>7,259</b>	<b>14,646</b>

### 40. Termination Benefits

The Council terminated the contract of 29 employees in 2018/19, incurring a liability of £369k (10 employees, £105k in 2017/18 restated).

Termination Benefits								
Exit package cost band £000	Compulsory		Other		Total exit		Total cost of exit	
	Restated 2017/18	2018/19	2017/18	2018/19	Restated 2017/18	2018/19	2017/18 £000	2018/19 £000
0 - 20	6	24	3	1	9	25	55	73
20 - 40	-	1	-	-	-	1	-	28
40 - 60	1	1	-	-	1	1	50	50
60 - 80	-	-	-	-	-	-	-	-
80 - 100	-	-	-	-	-	-	-	-
100 - 120	-	2	-	-	-	2	-	218
<b>Total</b>	<b>7</b>	<b>28</b>	<b>3</b>	<b>1</b>	<b>10</b>	<b>29</b>	<b>105</b>	<b>369</b>

## **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

	<b>Local Government Pension Scheme</b>	
	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services</i>		
Current service cost	3,796	3,644
Past service costs (including curtailments)	25	146
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	1,114	1,043
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,935</b>	<b>4,833</b>
<b>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Return on plan assets (excluding the amount included in the net interest expense)	-1,600	-2,769
Actuarial gains and losses on changes in demographic assumptions	-	-
Actuarial gains and losses arising on changes in financial assumptions	-2,460	10,783
Other experience	9	31
<b>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>884</b>	<b>12,878</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	2,827	-8,795
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employer contributions payable to the scheme *	<b>3,711</b>	<b>4,083</b>

\* 2018/19 £4.083m includes £2.167m lump sum paid early in 2017/18.

**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**

	2017/18 £000	2018/19 £000
Present value of the defined benefit obligation	-132,942	-147,880
Fair value of plan assets	95,064	99,041
<b>Net liability arising from the defined benefit obligation</b>	<b>-37,878</b>	<b>-48,839</b>

The present value of unfunded benefits is £967k (£949k 2017/18).

**Reconciliation of the Movements in the Fair Value of Scheme Assets****Reconciliation of the Movements in the Fair Value of Scheme Assets**

	2017/18 £000	2018/19 £000
Opening fair value of scheme assets	86,039	95,064
Interest income	2,305	2,550
<i>Remeasurement gain / (loss):</i>		
The return on plan assets, excluding the amount included in the net interest expense	1,600	2,769
Contributions from employer	3,711	1,917
Lump sum prepayments	4,502	0
Contributions from employees into the scheme	609	606
Benefits paid	-3,702	-3,865
<b>Closing fair value of scheme assets</b>	<b>95,064</b>	<b>99,041</b>

The actual return on scheme assets in the year was £5.319m (2017/18: £3.905m).

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

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

	2017/18 £000	2018/19 £000
<b>Opening balance at 1 April</b>	131,246	132,942
Current service cost	3,796	3,644
Interest cost	3,419	3,593
Contributions from scheme participants	609	606
<i>Remeasurement (gains) and losses:</i>		
Actuarial (gains) / losses arising from changes in demographic assumptions	-	-
Actuarial (gains) / losses arising from changes in financial assumptions	-2,460	10,783
Other	9	31
Past service cost - including curtailments	25	146
Benefits paid	-3,702	-3,865
<b>Closing balance at 31 March</b>	<b>132,942</b>	<b>147,880</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £147.880m 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 £51.175m. 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 2020 are £1.623m. In 2017/18, the Council 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 2020 are £60k.

## Local Government Pension Scheme Assets Comprised

Asset Category	31 March 2018				31 March 2019			
	Quoted prices in active markets	Quoted prices in not active markets	Total £000	% of Total Assets	Quoted prices in active markets	Quoted prices in not active markets	Total £000	% of Total Assets
	£000	£000			£000	£000		
<b>Equity Securities:</b>								
Consumer	4,618	-	4,618	5%	-	-	-	0%
Manufacturing	2,475	-	2,475	3%	-	-	-	0%
Energy and Utilities	1,811	-	1,811	2%	-	-	-	0%
Financial Institutions	3,825	-	3,825	4%	-	-	-	0%
Health and Care	1,531	-	1,531	2%	-	-	-	0%
Information Technology	236	-	236	0%	-	-	-	0%
Other	2,885	-	2,885	3%	-	-	-	0%
	-	-	-	-	-	-	-	-
<b>Debt Securities:</b>								
Corporate bonds (investment grade)	4,466	-	4,466	5%	10,131	-	10,131	10%
Corporate bonds (non-investment grade)	343	-	343	0%	422	-	422	0%
UK Government	6,895	-	6,895	7%	3,122	-	3,122	3%
Other	1,047	-	1,047	1%	-	-	-	0%
<b>Private Equity:</b>								
All	-	242	242	0%	-	219	219	0%
<b>Real Estate:</b>								
UK Property	4,638	1,488	6,126	6%	6,289	2,110	8,399	8%
Overseas Property	-	516	516	1%	-	613	613	1%
<b>Investment Funds and Unit Trusts:</b>								
Equities	3,781	42,971	46,752	49%	5,981	55,716	61,696	62%
Bonds	5,756	534	6,290	7%	7,926	-	7,926	8%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	3,682	3,682	4%	-	4,826	4,826	5%
<b>Derivatives:</b>								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	53	-	53	0%	(23)	-	(23)	0%
Other	20	-	20	0%	10	-	10	0%
<b>Cash and Cash Equivalents:</b>								
All	1,375	-	1,375	1%	1,825	-	1,825	2%
<b>Totals</b>	<b>45,755</b>	<b>49,433</b>	<b>95,188</b>	<b>100%</b>	<b>35,681</b>	<b>63,484</b>	<b>99,165</b>	<b>100%</b>

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

### 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

	2017/18	2018/19
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%	2.5%
Rate of increase in salaries	2.7%	2.8%
Rate of increase in pensions	2.4%	2.5%
Discount rate	2.7%	2.4%

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 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 2019

	Estimated % increase to Employer Liability	Estimated monetary amount £000
0.5% decrease in Real Discount Rate	10%	14,912
1-year increase in member life expectancy	3-5%	*
0.5% increase in the Salary Increase Rate	1%	2,031
0.5% increase in the Pension Increase Rate	0%	12,640

\*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 three-year period. The results from the next triennial valuation were due to be completed on 31 March 2019.

Stroud District Council anticipates employer contributions of £1.623m to the scheme in 2019/20. The Council had also paid the following two years' deficit payments in advance during 2017/18 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 2019 (17.2 years 31 March 2018).

## **42. Contingent Liabilities**

McCloud judgement – There is a potential liability of £294k for the Council's pension fund as estimated by the fund's actuary. In December 2018 the Court of Appeal ruled against the Government regarding pensions (McCloud) on the grounds of discrimination between scheme members based on their age. The Supreme Court has recently upheld that ruling. The actual liability will be contingent upon how the ruling is applied to the particular circumstances of the Local Government Pension Scheme.



### 43. Contingent Assets

The Council has lodged a claim for overpaid postage VAT of up to £0.65m as at 31 March 2019.

### 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 of interest rates and stock market 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 the maturity structure of its borrowing.
  - 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 22 February 2018 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2018/19 is £130m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary is £122m. This is the expected level of debt and other long-term liabilities during the year.

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 Link 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 the UK the Council will only make deposits with banks in AA- rated countries. Investments can be for a maximum three 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 2018/19 to credit risk in relation to its investments in banks and building societies was £57m. 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 2019 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.

<b>Potential Maximum Exposure to Credit Risk</b>					
	Amount at 31 March 2019 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2019 % C	Estimated maximum exposure to default & uncollectability at 31 March 2019 £000 (A*C)	Estimated maximum exposure at 31 March 2018 £000
Bonds	-	-	-	-	-
Customers	8,084	4.5%	4.5%	364	599
				<b>364</b>	<b>599</b>

### 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 2018 £000	31 March 2019 £000
Less than one year	16,228	11,008
Between one and two years	-	1,000
Between two and five years	3,000	4,000
More than five years	100,717	100,717
	<b>119,945</b>	<b>116,725</b>

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

### Refinancing 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 used to address this risk. The Council's approved treasury and investment strategies address the main risks, and the treasury team addresses 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:-

<b>Maturity Analysis</b>				
	<b>Approved Minimum Limits %</b>	<b>Approved Maximum Limits %</b>	<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>
Less than one year	-	25	2,000	-
Between one and two years	-	50	-	1,000
Between two and five years	-	75	3,000	2,000
Between five and ten years	-	100	-	-
More than ten years	-	100	100,717	100,717
<b>Total</b>			<b>105,717</b>	<b>103,717</b>

### **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 tradeable 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 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

<b>1% Interest Higher</b>	
	<b>2018/19 £000</b>
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)	22,125

The impact of a 1% fall in interest rates would be as above but with the movement 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 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 2014/15 to 2018/19.

## 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 c18<sup>th</sup>, 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-1850s. 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.

# 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

2017/18 £000		notes	2018/19 £000
	<b>Income</b>		
-21,448	Dwelling rents	6	-21,107
-294	Non-dwelling rents	8	-256
-1,088	Charges for services and facilities		-1,199
-170	Transfers from General Fund		-170
-198	Contribution towards expenditure		-246
<b>-23,198</b>	<b>Total income</b>		<b>-22,978</b>
	<b>Expenditure</b>		
3,939	Repairs and maintenance		4,072
5,257	Supervision and management		5,336
2,104	Special services		2,182
5,989	Depreciation, impairment and revaluation	11	10,556
-	Increased provision for bad or doubtful debt	10	99
<b>17,289</b>	<b>Total expenditure</b>		<b>22,245</b>
<b>-5,909</b>	<b>Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>-733</b>
315	HRA share of corporate and democratic core		303
<b>-5,594</b>	<b>Net cost of HRA services</b>		<b>-430</b>
	<b>HRA share of operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>		
-1,891	Gain (-) or loss on sale of HRA non-current assets	13	-1,039
3,451	Interest payable and similar charges		3,419
-33	HRA interest and investment income		-94
-	Income, expenditure and fair value of investment properties		133
290	Pensions interest cost and expected return on pensions assets		271
-116	Capital grants and contributions receivable		-
<b>-3,893</b>	<b>Surplus (-) / deficit for the year on HRA services</b>		<b>2,260</b>



### Movement on the Housing Revenue Account Statement

2017/18 £000		2018/19 £000
<b>-5,213</b>	<b>Balance on the HRA at 1 April</b>	<b>-3,003</b>
-3,893	Surplus (-) / deficit for the year on the HRA Income and Expenditure Statement	2,260
4,468	Adjustments between accounting basis and funding basis under regulations	-4,161
575	Net increase (-) or decrease before transfers to or from reserves	-1,901
1,635	Transfers to or from reserves	1,518
<b>2,210</b>	<b>Increase (-) or decrease in year on HRA</b>	<b>-383</b>
<b>-3,003</b>	<b>Balance on the HRA at 31 March</b>	<b>-3,386</b>

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

2017/18 £000		2018/19 £000
	Difference between any other item of income and expenditure determined	
1	in accordance with the Code and those determined in accordance with statutory HRA requirements (if any)	-
116	Capital grants and contributions receivable	-
1,891	Gain or loss (-) on sale of HRA non-current assets	1,039
-796	HRA share of contributions to or from the Pensions Reserve	-784
1,047	Capital expenditure funded by the HRA	319
-	- Change in value of investment properties	-133
-	- 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	-
8,198	Transfer to / from (-) Major Repairs Reserve	5,954
-5,989	Transfer to / from (-) the Capital Adjustment Account	-10,556
<b>4,468</b>	<b>Net additional amount required to be credited (-) or debited to the HRA balance for the year</b>	<b>-4,161</b>

## Notes to the Housing Revenue Account (HRA)

## 1. Housing Stock

Movement in Housing Stock												
2017/18						2018/19						
1 April	Right-to-buy sales	Other disposals	Transfers	Additions	31 March	Number by type of dwellings	1 April	Right-to-buy sales	Other disposals	Transfers	Additions	31 March
1,297	-1		-24		1,272	Bungalows	1,272			-16		1,256
1,566	-3		-67	10	1,506	Flats	1,506	-9		-18	6	1,485
2,239	-22	-4	-1	27	2,239	Houses	2,239	-17		-2		2,220
25			-11		14	Maisonettes	14					14
35				5	40	Shared ownership	40					40
<b>5,162</b>	<b>-26</b>	<b>-4</b>	<b>-103</b>	<b>42</b>	<b>5,071</b>	<b>Total Housing Stock</b>	<b>5,071</b>	<b>-26</b>	<b>-</b>	<b>-36</b>	<b>6</b>	<b>5,015</b>

The Council was responsible for managing an average of 5,043 dwellings during the year. 26 dwellings were sold under the right-to-buy legislation, with no other dwelling sales, compared to a total of 30 sales in the previous year. There were six dwellings added through the conversion of ex-Sheltered Scheme Warden accommodation. Also, 36 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.

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							
<i>Figures in £000s</i>	Balance 1 April 18	Additions in year	Disposals	Revaluation	Depreciation and impairment	Transfers	Balance 31 March 19
<b>Operational assets</b>							
Council dwellings	271,235	7,387	-1,519	-10,248	-5,954	-658	260,243
Community assets	23						23
Development sites	2,082	1,206	-170	-672		1,184	3,630
Other land and buildings	4,613		-464	-338		-850	2,961
<b>Non-operational assets</b>							
Investment property	1,122			-137		175	1,160
Asset held for sale	2,441		-2,441			149	149
<b>Total Net Fixed Assets</b>	<b>281,516</b>	<b>8,593</b>	<b>-4,594</b>	<b>-11,395</b>	<b>-5,954</b>	<b>0</b>	<b>268,166</b>

In 2018/19 the Council Dwelling stock was revalued and decreased in value by £10.248m (revaluation decrease of £8.815m, plus £5.954m depreciation reversal, less capital spend of £7.387m; increase of £19.898m in 2017/18).

## 2. Vacant Possession Value of Dwellings

The open market vacant possession of dwellings including land within the HRA at 31 March 2019, at March 2019 prices, is £744m. The value of dwellings net of the social element factor (35%) is £260m. The difference of £484m 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.

<b>Major Repairs Reserve</b>	
<b>2017/18</b>	<b>2018/19</b>
<b>£000</b>	<b>£000</b>
<b>-1,418</b>	<b>-6,110</b>
<b>Balance at 1 April</b>	
<b>-8,198</b>	<b>-5,954</b>
Transferred in	
- Transferred out to Housing Revenue Account	-
3,506	7,113
Financing of Capital expenditure	
<b>-6,110</b>	<b>-4,951</b>
<b>Balance at 31 March</b>	

**4. Capital Expenditure**

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

<b>Funding HRA Capital Expenditure</b>											
Spend 2017/18	Financing 2017/18				Capital schemes		Spend 2018/19	Financing 2018/19			
	Capital receipts	Capital grants	Borrowing	Revenue funding	<i>Figures in £000s</i>			Capital receipts	Capital grants	Borrowing	Revenue funding
3,441	262	-	-	3,179	Major Works Programme		7,113	-	-	-	7,113
1,946	907	116	-	923	New Build and Development		94	94	-	-	-
615	164	-	-	451	Sheltered Housing Modernisation		1,385	1,066	-	-	319
<b>6,002</b>	<b>1,333</b>	<b>116</b>	<b>-</b>	<b>4,553</b>	<b>Total capital expenditure</b>		<b>8,592</b>	<b>1,160</b>	<b>-</b>	<b>-</b>	<b>7,432</b>

**5. Capital Receipts**

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

<b>HRA in year Capital Receipts</b>	
<b>2017/18</b>	<b>2018/19</b>
<b>£000</b>	<b>£000</b>
2,572	2,327
Council house sales	
<b>-34</b>	<b>-34</b>
Less: Cost of sales	
1,758	3,340
Other receipts	
<b>4,296</b>	<b>5,633</b>
Total capital receipts	
<b>-475</b>	<b>-461</b>
Less: Pooled receipts paid to Government	
<b>3,821</b>	<b>5,172</b>
<b>Total usable capital receipts</b>	

**6. Rent Income**

This is the total dwelling rent collectable for the year after allowance for empty property. At 31 March 2019 there were 64 vacant properties for rent representing 1.3% of the total (on 31 March 2018 the figures were 65 and 1%). The average weekly rent at 31 March 2019 was £81.83, a decrease of £0.59, or 0.7%, 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 £308k in respect of former tenants, has increased by £54k (9.0%). See also note 10.

<b>Analysis of Rent Arrears</b>	
<b>2017/18</b>	<b>2018/19</b>
<b>£000</b>	<b>£000</b>
44 Court costs	41
318 Current rent arrears	303
236 Former tenant arrears	308
<b>598 Gross arrears at 31 March</b>	<b>652</b>

**8. Non-dwelling Rents**

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

**9. Pensions Accounting**

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

**10. Allowance for Bad Debt**

The cumulative allowance for uncollected debts was £0.534m at 31 March 2019 (£0.417m at 31 March 2018).

**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 2018/19.

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 £5.954m (£5.604m in 2017/18).

The impairment charge for dwellings is £7.387m (£3.493m in 2017/18).

In addition to this impairment charge, the debit of £10.556m to the HRA Income and Expenditure Statement includes downwards revaluations of properties of £9.829m (upwards revaluations of £10.740m in 2017/18), impairment charge for dwellings of £7.387m (£3.493m in 2017/18) and a net nil depreciation.

### Depreciation, Impairment and Revaluation

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
-10,740	Revaluation	9,829
13,236	Revaluation - revaluation reserve	-6,660
<u>2,496</u>		<u>3,169</u>
-5,604	Depreciation write-back	-5,954
3,493	Impairment	7,387
5,604	Depreciation	5,954
-	Derecognition	-
<u>5,989</u>	<b>Balance at 31 March</b>	<u>10,556</u>

#### 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

2017/18			2018/19				
Business rates restated £000	Council tax £000	Total £000	Income	notes	Business rates £000	Council tax £000	Total £000
-	-72,348	-72,348	Council tax receivable	16	-	-76,623	-76,623
-27,379	-	-27,379	Net rates payable by ratepayers	18	-28,357	-	-28,357
<b>Expenditure</b>							
<b>Apportionment of previous year surplus / deficit (-)</b>							
48	-	48	Central Government		48	-	48
39	177	216	Stroud District Council		38	169	207
10	756	766	Gloucestershire County Council		10	730	740
-	140	140	Gloucestershire Police and Crime Commissioner		-	133	133
<b>Precepts / shares</b>							
13,351	-	13,351	Central Government		-	-	-
10,681	8,354	19,035	Stroud District Council		13,849	8,774	22,623
2,670	50,354	53,024	Gloucestershire County Council		13,849	53,650	67,499
-	9,159	9,159	Gloucestershire Police and Crime Commissioner		-	9,861	9,861
-	3,331	3,331	Parish and Town Councils		-	3,636	3,636
<b>Charges to collection fund</b>							
-	-	-	Less: Write-offs of uncollectable amounts		-99	-	-99
273	56	329	Less: Increase / decrease (-) in bad debt provision		-47	57	10
374	-	374	Less: Increase / decrease (-) in provision for appeals		110	-	110
159	-	159	Less: Cost of collection		157	-	157
-	-	-	Interest		-	-	-
-248	-	-248	Less: Transitional protection payments		-155	-1	-156
108	-	108	Less: Disregarded amounts		106	-	106
<b>86</b>	<b>-21</b>	<b>64</b>	<b>Surplus (-) / deficit for the year</b>		<b>-491</b>	<b>386</b>	<b>-105</b>
55	-1,136	-1,081	Balance at 1 April		141	-1,157	-1,017
<b>141</b>	<b>-1,157</b>	<b>-1,017</b>	<b>Balance at 31 March</b>		<b>-350</b>	<b>-771</b>	<b>-1,122</b>

## 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% to cover appeals, changes in discounts and bad debts that arise. The tax base for 2018/19 was calculated as follows:

<b>Council Tax Base</b>			
<b>Band</b>	<b>Estimated number of properties after effect of discounts</b>	<b>Ratio</b>	<b>Band D equivalent dwellings</b>
DISR A	13.10	5/9	7.28
A	4,474.44	6/9	2,982.96
B	9,521.87	7/9	7,405.90
C	10,386.81	8/9	9,232.72
D	7,227.52	9/9	7,227.52
E	6,005.48	11/9	7,340.03
F	3,718.56	13/9	5,371.25
G	2,378.96	15/9	3,964.93
H	223.25	18/9	446.50
	43,949.99		43,979.09
	Less: Adjustment for collection rate (1%)		-439.79
	<b>Council Tax Base</b>		<b>43,539.30</b>

**16. Council Tax Income**

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

<b>Income from Council Tax</b>		
	<b>2017/18</b>	<b>2018/19</b>
Total council tax base (see note 15)	42,699.32	43,539.30
Multiplied by average band D tax rate (see note 17)	£1,667.41	£1,743.72
	<b>£000</b>	<b>£000</b>
<b>Total property income</b>	<b>-71,197</b>	<b>-75,920</b>
Add: Transitional relief	-	1
Add: Other adjustments	-1,151	-704
<b>Income from Council Tax</b>	<b>-72,348</b>	<b>-76,623</b>

**17. Council Tax Rates**

<b>Council Tax Rates by Precepting Body and Band</b>									
	<b>Band</b>								
<b>Precepting body</b>	<b>disr A</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	£	£	£	£	£	£	£	£	£
District council	111.94	134.33	156.72	179.11	201.50	246.28	291.06	335.83	403.00
County council	684.56	821.47	958.39	1,095.30	1,232.21	1,506.03	1,779.86	2,053.68	2,464.42
Police authority	125.83	150.99	176.16	201.32	226.49	276.82	327.15	377.48	452.98
Average parish	46.40	55.68	64.96	74.24	83.52	102.08	120.64	139.20	167.04
<b>Total</b>	<b>968.73</b>	<b>1,162.47</b>	<b>1,356.23</b>	<b>1,549.97</b>	<b>1,743.72</b>	<b>2,131.21</b>	<b>2,518.71</b>	<b>2,906.19</b>	<b>3,487.44</b>

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



**18. Income from Business Ratepayers**

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.

Local authorities retain a proportion of the total collectable rates due. In the case of Stroud, the local share is usually 40% with the remainder due to Central Government (50%) and Gloucestershire County Council (10%). This was the case in 2017/18.

The arrangements for 2018/19 differ as Gloucestershire was a pilot region for 100% rates retention and the income shares changed to 50% for Stroud and 50% for Gloucestershire County Council. To ensure Stroud did not benefit disproportionately, there was an offsetting increase in the tariff payable to Central Government to £10.186 million (£7.450 million in 2017/18). In addition, as part of the arrangements for distributing pilot growth around the County there was a payment made to the central pilot "pot" by Stroud of £574k.

The net business rates for 2018/19 were estimated before the start of the year at £27.7m (£13.849m to both Stroud and the County Council). In addition, a share of the estimated collection fund surplus from 2017/18 of £0.096m has been charged to the collection fund and distributed according to the shares relevant to that year (40% Stroud, 50% Central Government, 10% Gloucestershire County Council). Stroud's share of the estimated surplus received was £38k.

<b>Net Rates Payable by Ratepayers</b>		
	<b>£000</b>	<b>£000</b>
	<b>2017/18</b>	<b>2018/19</b>
<b>Gross rates payable by ratepayers</b>	<b>34,965</b>	<b>36,488</b>
<i>Less:</i>		
Transitional relief	-248	-156
Mandatory reliefs	-5,698	-6,421
Unoccupied property relief	-1,032	-1,108
Discretionary reliefs (unfunded)	-230	-212
Discretionary reliefs (funded through s31 grant)	-379	-234
Hardship relief	-	-
<b>Total cost of reliefs</b>	<b>-7,586</b>	<b>-8,131</b>
<b>Net Rates Payable by Ratepayers</b>	<b>27,379</b>	<b>28,357</b>

The total non-domestic rating income in 2018/19 was £28.286m (£26.713m in 2017/18). For 2018/19, the total non-domestic rateable value at the year-end is £77.04m (£75.3m in 2017/18). The national multipliers for 2018/19 were 48.0p for qualifying Small Businesses, and the standard multiplier being 49.3p for all other businesses (46.6p and 47.9p respectively in 2017/18).

**19. Business Rate Net Share**

The income credited to the Comprehensive Income and Expenditure Statement for business rates is £5.218m (2017/18 £4.166m). This comprises as follows:

<b>Net share from Business Rates</b>		
	<b>£000</b>	<b>£000</b>
	<b>2017/18</b>	<b>2018/19</b>
SDC local share	10,681	13,849
<i>Add:</i> Share actual prior year deficit (-) / surplus	22	56
<i>Less:</i> Share of estimated prior year surplus	39	38
<i>Less:</i> Share of current year deficit (-) / surplus	<b>-56</b>	198
	<b>10,685</b>	<b>14,141</b>
<i>Less:</i> Tariff payment to Government Levy	<b>-7,450</b>	<b>-10,186</b>
<i>Add:</i> Section 31 grant	1,370	1,774
Renewable energy schemes	108	106
<b>Net income from business rates</b>	<b>3,661</b>	<b>5,792</b>
<i>Add:</i> Gloucestershire BR pool surplus / deficit (-)	505	-
<i>Less:</i> Contribution to BR Pilot		<b>-574</b>
<b>Net income from business rates</b>	<b>4,166</b>	<b>5,218</b>

**20. Apportionment of Collection Fund Balances**

The year-end balances on the Collection Fund are apportioned between the major preceptors and will be distributed in future years. The balances at the end of 2018/19 are as follows:

<b>Share of Collection Fund</b>		
	<b>£000</b>	<b>£000</b>
	<b>Council tax</b>	<b>Business rates</b>
Stroud District Council	127	199
Gloucestershire County Council	547	269
Gloucestershire Police	97	-
Central Government	-	<b>-118</b>
<b>Total surplus / deficit (-)</b>	<b>771</b>	<b>350</b>

**21. Council tax and Business Rate Provision for Bad Debts**

A Council Tax provision was made during 2018/19 amounting to £57k (2017/18 £56k). This was calculated using CIPFA Guidelines. The total amount of the provision at 31 March 2019 is £342k and represents 17% of the £1.961m debt outstanding (£339k, 20% and £1.685m at 31 March 2018).

Business Rate provision for bad debts was £189k and represents 31% of the £610k outstanding amount (£407k, 52% and £790k at 31 March 2018).

Keep clear for audit opinion

Keep clear for audit opinion

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Keep clear for audit opinion

## 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 <i>revenue</i> 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 <i>revenue</i> cost.
Capital Expenditure	Spending on assets that have a long-term use such as purchase or improvement of land, buildings and equipment. Where the asset is not owned by the Council that expenditure is <i>revenue expenditure funded by capital under statute</i> , long-term debtor or <i>intangible asset</i> .
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 <i>capital expenditure</i> .
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: <ul style="list-style-type: none"> <li>a) Termination of employees' services earlier than expected, for example as a result of discontinuing a segment of business.</li> <li>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.</li> </ul>
Depreciation	Charges reflecting the decline in the value (not cost) of assets as a result of their usage or ageing.
Estimate	Often used instead of the word <i>budget</i> ; and is a forecast of income and expenditure for the year.
Forecast	An <i>estimate</i> of income and expenditure in a financial year.
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 <i>revenue</i> expenditure, other than <i>HRA</i> .
Housing Revenue Account (HRA)	A separate statutory account dealing with the <i>revenue</i> income and expenditure arising from the provision of Council-owned and managed dwellings.
IAS 19	International Accounting Standard 19 <i>Employee Benefits</i> 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 (MFTP)	The Council's rolling five-year estimate of all effects on the <i>General Fund</i> , including inflation, government grants, service changes, base rate changes and the <i>tax base</i> .
Net Cost	The cost of continuing operations after deducting specific grants and income from fees and charges.
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 <i>actual</i> expenditure is more than the <i>budget</i> .
Precept	A levy made by the Police and Crime Commissioner, county council, district council or parish/town councils on the <i>Collection Fund</i> to provide the required income from council taxpayers and business ratepayers on their behalf.
Prospective Application	Of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are: <ul style="list-style-type: none"> <li>a) Applying the new accounting policy to transactions, other events and conditions occurring after the date at which the policy is changed, and</li> <li>b) Recognising the effect of change in the accounting estimate in the current and future periods affected by the change.</li> </ul>
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 Revenue	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. This word is used in two different contexts: 1) sources of income, and 2) expenditure that is not of a <i>capital</i> nature such as general running costs including salaries and capital financing costs.
Revenue Support Grant (RSG)	A grant paid by or to central government to or from local authorities to support general <i>revenue</i> expenditure and not for specific services.
Right-to-Buy (RTB)	Legislation allows tenants of local council dwellings to buy their

Rounding	<p>property, at a discount, after a qualifying period as local council tenants. The net income from the sale is a <i>capital receipt</i>.</p> <p>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 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'.</p>
Settlement	<p>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:</p> <ol style="list-style-type: none"><li>A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits,</li><li>The purchase of an irrevocable annuity contract sufficient to cover vested benefits, and</li><li>The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.</li></ol>
Tax Base	<p>Used to measure the taxable value of properties in a council's area based upon numbers of properties in each tax band.</p>
Underspend	<p>Where <i>actual</i> expenditure is less than the <i>budget</i>.</p>

**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](http://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:

Andrew Cummings, Interim Director of Resources (Section 151 Officer)  
Tel: 01453 754115. Fax 01453 754936. Email: [statementofacc@stroud.gov.uk](mailto: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.....  
.....

Telephone.....Email.....

**Thank you**