STROUD DISTRICT COUNCIL
Council Offices • Ebley Mill • Ebley Wharf • Stroud • GL5 4UB
Tel: (01453) 754 351/754 321
www.stroud.gov.uk
Email: democratic.services@stroud.gov.uk

09 November 2020

AUDIT AND STANDARDS COMMITTEE

A remote meeting of the Audit and Standards Committee will be held on **TUESDAY 17 NOVEMBER 2020** at **7.00pm.**

Kathy O'Leary
Chief Executive

This is a remote meeting in accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

Venue
This meeting will be conducted using Zoom and a separate invitation with the link to access the meeting will be sent to Members, relevant officers and members of the public who have submitted a question.

Public Access
Members of the public, who have not submitted a question, are invited to access the meeting streamed live via Stroud District Council's YouTube channel.

Recording of Proceedings
A recording of the meeting will be published onto the Council's website (www.stroud.gov.uk). The whole of the meeting will be recorded except where there are confidential or exempt items, which may need to be considered in the absence of press and public.

A G E N D A

1 **APOLOGIES**
To receive apologies for absence.

2 **DECLARATIONS OF INTEREST**
To receive declarations of interest.

3 **MINUTES**
To approve the minutes of the meeting held on 6 October 2020.

4 PUBLIC QUESTION TIME

The Chair of Committee will answer questions from members of the public submitted in accordance with the Council's procedures.

DEADLINE FOR RECEIPT OF QUESTIONS
Noon on Thursday, 12 November 2020

Questions must be submitted to the Chief Executive, Democratic Services, Ebley Mill, Ebley Wharf, Stroud and can be sent by email to democratic.services@stroud.gov.uk

5 INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2020/21

To inform Members of the Internal Audit activity progress in relation to the approved Revised Internal Audit Plan 2020/21.

6 HALF YEAR TREASURY MANAGEMENT ACTIVITY REPORT 2020/21

To provide an update on treasury management activity as at 30/09/2020.

7 ANNUAL AUDIT LETTER

To note the Annual Audit Letter on the 2019/20 External Audit

8 STATEMENT OF ACCOUNTS 2019/20

To approve the Statement of Accounts 2019/20 and receive Deloitte's audit opinion, including the changes to the accounts since the unaudited accounts were signed off by the Strategic Director of Resources on 31 July 2020.

9 UPDATE ON THE ACTIONS TAKEN IN RELATION TO KEY RECOMMENDATIONS MADE IN THE AUDIT REPORT RELATING TO THE AUDIT OF PRIVATE SECTOR HOUSING EMPTY HOMES

To receive updates from senior officers on the above.

10 STANDING ITEMS

(a) To consider the work programme for 2020/21.
(b) To consider any Risk Management issues.

11 MEMBERS' QUESTIONS

See Agenda Item 4 for deadline for submission.

Members of Audit and Standards Committee

Councillor Nigel Studdert-Kennedy (Chair)
Councillor Tom Williams (Vice-Chair)
Councillor Dorcas Binns
Councillor Miranda Clifton
Councillor Stephen Davies
Councillor Colin Fryer
Councillor Karen McKeown
Councillor Keith Pearson
Councillor Mark Reeves

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3

AUDIT AND STANDARDS COMMITTEE

6 October 2020

7.00 pm – 8.25 pm

Remote Meeting

Minutes

Membership

Councillor Nigel Studdert-Kennedy (Chair)	P	Councillor Colin Fryer	A
Councillor Tom Williams (Vice-Chair)	P	Councillor Karen McKeown	A
Councillor Dorcas Binns	A	Councillor Keith Pearson	P
Councillor Miranda Clifton	P	Councillor Mark Reeves	P
Councillor Stephen Davies	P		

A = Absent   P = Present

Officers in Attendance

Interim Head of Legal Services and Monitoring Officer
Strategic Director of Resources
Senior Accounting Officer
Principal Accountant
Head of Audit Risk Assurance (ARA) (Chief Internal Auditor)
Senior Democratic Services and Elections Officer

AC.023 APOLOGIES

Apologies for absence were received from Councillor Binns, McKeown and Fryer.

The Chair welcomed Councillor Fryer to the committee and thanked Councillor Curley for her work on the Committee.

AC.024 DECLARATIONS OF INTEREST

There were none.

AC.025 MINUTES

RESOLVED **That the Minutes of the meetings held on 29 July 2020 and 25 August 2020 are approved as a correct record.**

AC.026 **PUBLIC QUESTION TIME**

There were none.

AC.027 **COUNTER FRAUD AND CORRUPTION POLICY STATEMENT AND STRATEGY 2020-2023**

The Head of ARA introduced the report and informed Members that there had not been any major changes to the counter fraud approach and that it was a refresh of the existing strategy. The policy would be presented to a meeting of Full Council on the 22 October 2020 for adoption and awareness training for officers would follow in order to promote the strategy and the whistleblowing arrangements.

Councillor Davies thanked the team for the work carried out on the strategy and stated it was very comprehensive.

On being put to the vote, the Motion was carried unanimously.

RESOLVED **To recommend to Council that it approves the Counter Fraud and Corruption Policy Statement and Strategy (including Anti Bribery Policy and Anti Money Laundering Policy) 2020-2023.**

AC.028 **INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2020/21**

The Head of ARA introduced the first progress report in relation to the Internal Audit Plan 2020/2021 and the work that had been carried out between July and September. It was confirmed that the audits had been undertaken mostly online with the occasional physical meeting to discuss fraud or irregularities across the partnership. The Head of ARA confirmed that the officers and managers had been very supportive in aiding the process and it had worked very well.

RESOLVED **To note:**

a) **The progress against the Internal Audit Plan 2020/21; and**
b) **The assurance opinions provided in relation to the effectiveness of the Council's control environment.**

AC.029 **INTERNAL AUDIT PLAN 2020/21 (Revision)**

The Head of ARA introduced the report and referred members to page 70 of the document pack which gave a position statement on each proposed audit. Three audits were proposed to be deferred; Youth Services, Review of the Council's Constitution and Housing Benefits Over Payments. Due to the work the Audit team had carried out to support the Revenue and Benefits Team with the grants process there were now less assurance days available to carry out Audits, the Head of ARA brought the Committee's attention to the proposed deferred audits on pages 77, 79 and 86. It was also confirmed that they had redefined the audit days on the other audit activity and included additional activities in respect of Stratford Park Leisure Centre and the Covid 19 Recovery Plan.

In response to a question from Councillor Clifton about the careline service and how the views of service users could be taken account of the Head of ARA agreed to give further thought to the process however it was also advised that they would usually look at what the management team were doing to ensure they contact service users for feedback.

The Head of ARA explained the differences between the various priority levels, priority 1 reflects statutory requirements or as deemed necessary by the Chief Internal Auditor to enable an opinion on the control environment to be provided. Priority 2 are the remaining identified activities. The Strategic Director of Resources confirmed that this was an agile audit plan and would be kept under review.

Councillor Reeves raised questions about the audit of the constitution and in particular the Scheme of Delegation related to planning matters. The Chair asked the Councillor to put his views in writing and share with the Monitoring Officer.

RESOLVED

a) **Consider the proposed changes to the Internal Audit Plan 2020/21; and**
b) **Approve the revision (subject to any further change requested by Members) as detailed in Appendix 1.**

AC.030 1ST QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2020/21

The Senior Accounting Officer gave an update on the work of treasury management during the first quarter. The report identified the returns on the Council's investments, this included the investments in property funds. It was noted that in the current climate it was difficult to secure the best interest rates.

The Chair thanked Officers for all their hard work in achieving good returns during a difficult time.

RESOLVED: **To accept the treasury management activity first quarter report for 2020/2021.**

AC.031 PROPOSED AMENDMENTS TO THE CODE OF CONDUCT FOR MEMBERS AND THE ARRANGEMENTS UNDER WHICH ALLEGATIONS CAN BE INVESTIGATED

The Monitoring Officer gave an update on the amendments to The Code of Conduct which had been previously presented to Committee on 25 August 2020. In response to a question in respect of paragraph 3.5 the Monitoring Officer explained that the issues outlined were examples of how the Monitoring Officer would 'sift' the complaints before proceeding.

RESOLVED **To approve the final draft documents and recommend them to Council for adoption**

AC.032 STANDING ITEMS

(a) Work Programme

There were no additions or amendments to the Work Programme.

(b) Risk Management

The Chair reported that there had not been any significant changes or issues to note.

AC.033 MEMBERS' QUESTIONS

There were none.

The meeting closed at 8.25 pm.

Chair

STROUD DISTRICT COUNCIL | **AGENDA ITEM NO**

AUDIT AND STANDARDS COMMITTEE

17 NOVEMBER 2020

5

Report Title	**INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2020/21**
Purpose of Report	To inform Members of the Internal Audit activity progress in relation to the approved Revised Internal Audit Plan 2020/21.
Decision(s)	**The Committee RESOLVES:** **a) To note the progress against the Revised Internal Audit Plan 2020/21; and** **b) To note the assurance opinions provided in relation to the effectiveness of the Council's control environment.**
Consultation and Feedback	Internal Audit findings are discussed with Service Heads/Managers. Management responses to recommendations are included in each assignment report.
Report Author	Theresa Mortimer, Head of Audit Risk Assurance (ARA) Tel: 01453 754111, Email: theresa.mortimer@stroud.gov.uk
Options	There are no alternative options that are relevant to this matter.
Background Papers	N/A – links to published background papers are in the body of the report.
Appendices	Appendix A – Attachment 1 - Internal Audit Activity Progress Report 2020/21. Appendix A – Attachment 2 – Progress Report including Assurance Opinions

Implications (details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1.0 INTRODUCTION/BACKGROUND

1.1 Members approved the Internal Audit Plan 2020/21 at the 26th May 2020 Audit and Standards Committee meeting.

1.2 Covid 19 has placed significant pressures on Council services and has impacted (and continues to impact) the Council's priorities, objectives and risk environment. Due to the changing position and to ensure that the Risk Based Internal Audit Plan meets the assurance needs of the Council, the Revised Risk Based Internal Audit Plan 2020/21 was approved by Members at 6th October 2020 Audit and Standards Committee meeting.

1.3 In accordance with the Public Sector Internal Audit Standards (PSIAS) 2017, this report (through Appendix A) details the outcomes of Internal Audit work carried out in accordance with the approved Plan.

2.0 MAIN POINTS

2.1 The Internal Audit Activity Progress Report 2020/21 at Appendix A summarises:

- The progress against the Revised Internal Audit Plan 2020/21, including the assurance opinions on the effectiveness of risk management and control processes;
- The outcomes of the Internal Audit activity during the October 2020; and
- Special investigations/counter fraud activity.

2.2 The report is the second progress report in relation to the Internal Audit Plan 2020/21. It is also the first progress report to reflect the approved 2020/21 Plan revisions (due to the impact of Covid).

2.3 As reflected within the Internal Audit Progress Report, new activities completed by Audit Risk Assurance (ARA) since the outcome of the pandemic include (but are not exclusive to) the provision of consultancy support (from both our internal audit and counter fraud teams) to the Revenues and Benefits service and Finance regards Business Grants and Supplier Relief.

3.0 CONCLUSION

3.1 The purpose of this report is to inform the Committee of the Internal Audit work undertaken to date, and the assurances given on the adequacy and effectiveness of the Council's control environment operating in the areas audited. Completion of Internal Audit Activity Progress Reports ensures compliance with the PSIAS, the Council Constitution and the Audit and Standards Committee Terms of Reference (Agenda Item 7 – Appendix 1).

3.2 In accordance with the PSIAS and as reflected within the Audit and Standards Committee work programme, Internal Audit Activity Progress Reports against the approved Internal Audit Plan 2020/21 are scheduled to be presented to the Audit and Standards Committee at the 26th January 2021, 27th April 2021 and June/July 2021 (date to be confirmed) meetings.

4.0 IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising directly from this report.

Andrew Cummings, Strategic Director of Resources
Tel: 01453 754115, Email: andrew.cummings@stroud.gov.uk

Risk Assessment:
Failure to deliver effective governance will negatively impact on the achievement of the Council's objectives and priorities.

4.2 Legal Implications

Monitoring the implementation of Internal Audit recommendations assists the Council to minimise risk areas and thereby reduce the prospects of legal challenge.

One Legal
Tel: 01684 272691, Email: legal.services@tewkesbury.gov.uk

4.3 Equality Implications

The Internal Audit Service is delivered by Audit Risk Assurance which is an internal audit and risk management shared service between Stroud District Council, Gloucester City Council, and Gloucestershire County Council. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.

There are not any specific changes to service delivery proposed within this decision.

4.4 Environmental Implications

There are no Environmental implications as a result of the recommendations made within this report.

Internal Audit Activity
Progress Report
2020-2021

ARA
AuditRiskAssurance

STROUD
DISTRICT
COUNCIL

(1) Introduction

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that a relevant authority "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance". The Internal Audit Service is provided by Audit Risk Assurance under a Shared Service agreement between Stroud District Council, Gloucester City Council and Gloucestershire County Council and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards 2017 (PSIAS) as representing "proper internal audit practices". The standards define the way in which the Internal Audit Service should be established and undertake its functions.

The Shared Service Internal Audit function is conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

(2) Responsibilities

Management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non financial) and governance arrangements. Internal Audit plays a key role in providing independent assurance and advising the organisation that these arrangements are in place and operating effectively. Internal Audit is not the only source of assurance for the Council. There are a range of external audit and inspection agencies as well as management processes which also provide assurance and these are set out in the Council's Code of Corporate Governance and its Annual Governance Statement.

(3) Purpose of this Report

One of the key requirements of the standards is that the Chief Internal Auditor should provide progress reports on internal audit activity to those charged with governance. This report summarises:

- The progress against the 2020/21 Revised Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
- The outcomes of the Internal Audit activity during October 2020; and
- Special investigations/counter fraud activity.

(4) Progress against the 2020/21 Revised Internal Audit Plan, including the assurance opinions on risk and control

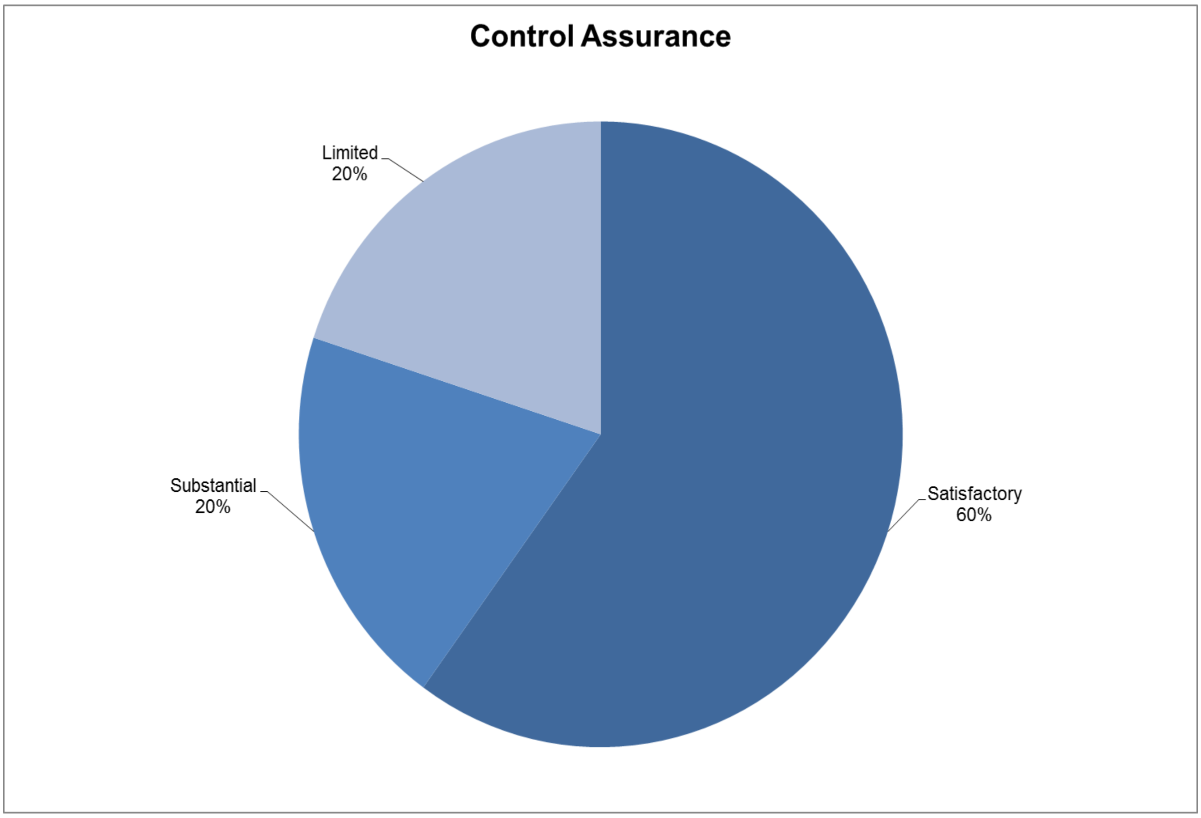
The schedule provided at **Attachment 1** provides the summary of 2020/21 audits which have not previously been reported to the Audit and Standards Committee.

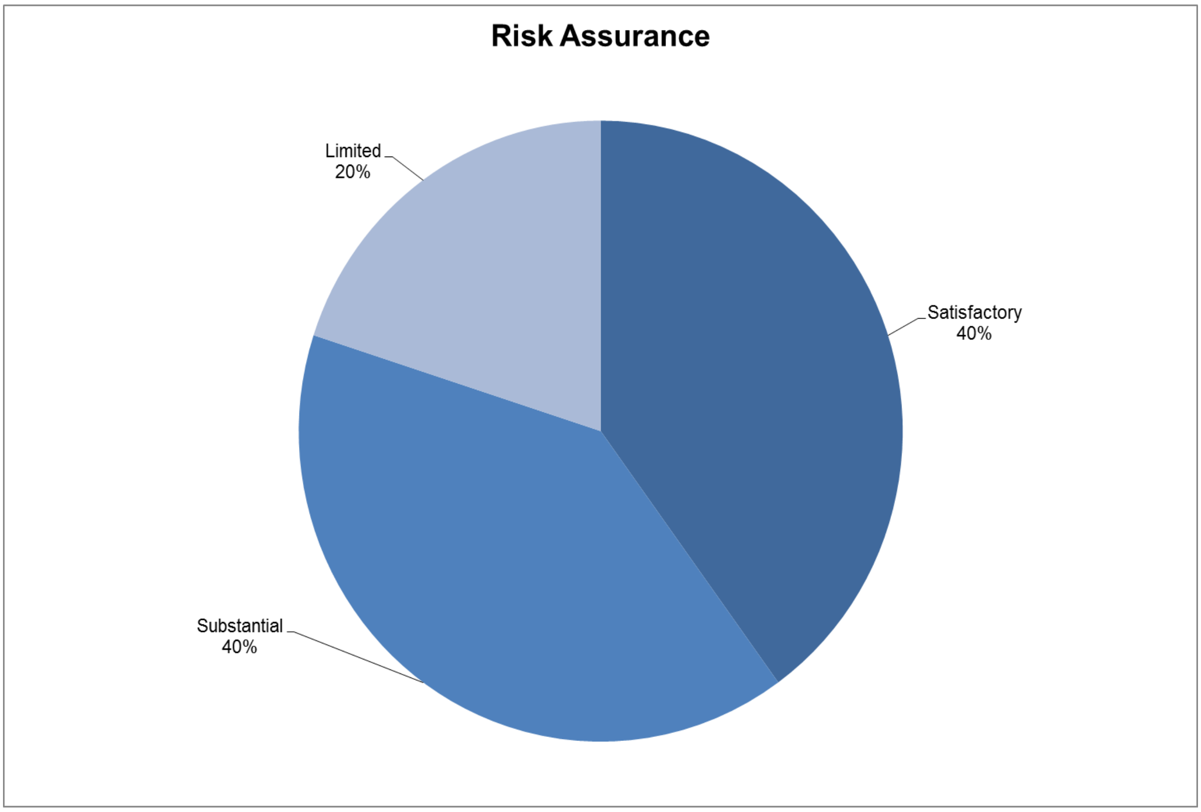
The schedule provided at **Attachment 2** contains a list of all of the 2020/21 Internal Audit Plan activity undertaken during the financial year to date, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Standards Committee. Explanations of the meaning of these opinions are shown in the below table.

Assurance Levels	Risk Identification Maturity	Control Environment
Substantial	**Risk Managed** Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Council's Risk Management Policy.	• System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved • Control Application – Controls are applied continuously or with minor lapses
Satisfactory	**Risk Aware** Service area has an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners, and staff. However some key risks are not being accurately reported and monitored in line with the Council's Risk Management Policy.	• System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger • Control Application – Controls are applied but with some lapses
Limited	**Risk Naïve** **Due to an absence of accurate and regular reporting and monitoring of the key risks in line with the Council's Risk Management Policy, the service area has not demonstrated a satisfactory awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners and staff.**	• **System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls** • **Control Application – Significant breakdown in the application of control**

(4a) Summary of Internal Audit Assurance Opinions on Risk and Control

The pie charts below show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited in relation to the 2020/21 audit activity undertaken up to October 2020.





(4b) Limited Control Assurance Opinions

Where audit activities record that a limited assurance opinion on control has been provided, the Audit and Standards Committee may request Senior Management attendance to the next meeting of the Committee to provide an update as to their actions taken to address the risks and associated recommendations identified by Internal Audit.

(4c) Audit Activity where a Limited Assurance Opinion has been provided on Control

During October 2020, one limited assurance opinion on control has been provided on the Electrical Works Contract audit from the 2020/21 Revised Internal Audit Plan.

(4d) Satisfactory Control Assurance Opinions

Where audit activities record that a satisfactory assurance opinion on control has been provided, where recommendations have been made to reflect some improvements in control, the Committee can take assurance that improvement actions have been agreed with management to address these.

(4e) Internal Audit Recommendations

During October 2020, Internal Audit made a total of **10** recommendations to improve the control environment, **8** of which were high priority and **2** which were medium priority recommendations (**100%** of these being accepted by management).

The Committee can take assurance that all high priority recommendations will remain under review by Internal Audit, by obtaining regular management updates, until the required action has been fully completed.

(4f) Risk Assurance Opinions

During October 2020, one limited assurance opinion on risk has been provided on the Electrical Works Contract audit from the 2020/21 Revised Internal Audit Plan.

Monitoring of the implementation of recommendations to manage the risks identified is owned by the relevant manager(s) and helps to further embed risk management in to the day to day management, risk monitoring and reporting process.

(4g) Internal Audit Plan 2020/21 Refresh – Covid-19

Covid-19 has placed significant pressures on Council services and has impacted (and continues to impact) the Council’s priorities, objectives and risk environment.

Due to this changing position and to ensure that the Risk Based Internal Audit Plan meets the assurance needs of the Council, the Internal Audit Plan 2020/21 was reviewed and refreshed in consultation with Officers (Strategic Leadership Team, Heads of Service and Service Managers). This included consideration of newly identified activities, current activities that should be prioritised within 2020/21 and activity deferrals/cancellations (due to risk).

The Revised Internal Audit Plan 2020/21 was presented to Audit and Standards Committee on 6th October 2020 and approved. This included reflection of the new activities completed by ARA since the outcome of the pandemic.

For example and as reflected within the Internal Audit Progress Report, to date within 2020/21 ARA has provided consultancy support (from both our internal audit and counter fraud teams) to the Revenues and Benefits service and Finance regards Business Grants and Supplier Relief.

Completed Internal Audit Activity during October 2020

Summary of Limited Assurance Opinions on Control

Service Area: **Communities**

Audit Activity: **Electrical Works Contract**

Background

Stroud District Council (the Council) has a contract in place for the electrical rewire and remedial works for the Council's residential properties. The works comprise of electrical rewires, electrical testing, portable appliance testing (PAT), estate lighting, planned maintenance of lighting protection and electrical heating replacements.

The contract was let in 2016 to NKS Contracts (Central) Ltd for an initial term of four years with the option for two extension periods, for up to 72 months. The contract was extended in March 2020 for a 12 month period commencing 1st April 2020. The annual contract value is circa £265k.

Since the commencement of the contract there has been a number of Council Contract Managers / Administrators that have been responsible for the management of the contract. A new Council Contract Manager has recently (May 2020) taken over responsibility for the contract.

Scope

This audit review sought to determine the effectiveness of the systems and processes in place for managing the contract. The specific objectives of the audit were to provide assurance on the following areas:

- Effective governance and risk management arrangements have been set-up and are successfully operating;
- Regular and independent pre and post inspections of work required / work completed are undertaken to ensure quality and appropriateness of work;
- Performance measures have been determined, results regularly reported and effectively monitored and managed;
- The service provision is being effectively managed in accordance with the contract and any variations are subject to formal evaluation, review and approval;
- Costs are effectively managed and controlled to ensure that they are in accordance with the contract terms and within budgets; and

- Extension of the contract has been correctly approved and the decision based on proven and agreed measures.

Risk Assurance – Limited

Control Assurance – Limited

Key Findings

The Council's Governance Assurance Framework is a structure within which Members and Senior Management identify the principal risks to the Council meeting key priorities, and through which they map out the key controls to manage and monitor these using the three lines of defence model. The service (Tenant Services Contract Manager and senior management) are providing the first line of defence with support from the Strategic Director, however at the point of audit there is no second line of defence operating to provide the oversight assurance. For information the third line of defence represents independent objective assurance, i.e. via Internal Audit, External Audit, etc.

A review by Internal Audit of the first line of defence contract management arrangements established the following:

- There is a lack of documentary evidence to confirm that the previous Contract Managers had fully identified the contract terms and conditions and ensured the adequate provision of effective management and monitoring of the contractor's compliance and performance;

- The current systems and processes for contract management and monitoring need to be strengthened in order to be able to obtain sufficient assurance that the contract is being managed effectively during the contract term; and

- The Council's Contract Procurement and Procedure Rules (CPPRs) state that the relevant Strategic Director 'must ensure that the contract is properly managed' on: i) performance, ii) compliance specification and contractual terms, iii) prices or costs charged, and iv) anticipation of completion dates to plan for subsequent service requirements. Whilst this level of responsibility is defined, the Council does not have a corporate framework for contract management and monitoring to support management and officers in achieving these requirements and applying a consistent and effective process / methodology.

  The Council's performance and risk management system Excelsis relating to contract management information is restrictive in providing high level and limited assurance to senior management and Strategic Directors that contracts are being managed effectively.

The current Strategic Director (employed since March 2020) advised Internal Audit that due to the current health crisis and his work commitments he has not yet been in a position to fully determine compliance and achievement of the CPPR requirements.

The National Inspection Council for Electrical Installation Contracting (NICEIC), which is one of several organisations which regulates training and work of electrical enterprises in the United Kingdom, recommends that an electrical installation should be regularly tested no more than every five years. The Council's electrical inspection interval for its residential tenanted properties is set at 10 year intervals. Going forward Internal Audit would advise management to consider whether the scheduling intervals should be aligned to the NICEIC guidance / best practice or to formally define / or document its risk appetite for the current 10 year scheduling interval.

Conclusion

Contract management is a holistic process that combines a mix of strategic and operational tasks depending on the type of contract and the goods or services being supplied. Going forward, development / implementation of a contract management framework by the Council should support a consistent approach to contract management across the Council. This could also aid compliance to internal / external regulations, with the aim of further limiting the Council's exposure to contractual and reputational risk, to within the Council's predetermined risk appetite, through better contract management.

In addition the function and role of the second line of defence (corporate oversight and challenge responsibilities) should be established.

It is acknowledged that the current contract extension runs until March 2021 (as approved by the Head of Contract Services), but has the provision to be extended a further time for up to three years. Therefore it is important that the contract is effectively managed to the end of its current term and beyond, should a further extension be enacted / approved.

Management Actions

The current Contract Manager, who took over responsibility for this contract during May 2020, has, during the audit, been pro-active and receptive to Internal Audit’s comments and recommendations for the improvement in the management of the contract.

Internal Audit has raised eight high and two medium priority recommendations in order to strengthen the control environment and risk management and monitoring arrangements.

The audit recommendations are relevant to the following specific themes:

- Review of the second line of defence role and responsibilities for contract management oversight;
- Development of a corporate framework and guidance for contract management;
- Identification of key contract terms and conditions to enable effective contract and performance monitoring;
- Review of the follow up process to gain site access to tenanted property to manage the level of overdue inspections and rectification works;
- Maintenance of documentary evidence to ensure accurate and approved uplift of the schedule of rates;
- Quality assurance checks on key processes (e.g. completed electrical rewires and electrical testing);
- Determining the risk appetite for electrical inspection intervals to ensure compliance with NICEIC guidance; and
- Ensuring future contract extensions meet the requirements of CPPR 32 (e.g. advice and guidance must be sought from the Council’s Procurement Officer in consultation with the Head of Legal Services before any negotiations are entered into with suppliers or contractors over an extended term), including the retention of relevant audit trail.

Management have responded positively to the audit recommendations raised.

Summary of Special Investigations/Counter Fraud Activities

Current Status

The ARA Counter Fraud Team (CFT) within Internal Audit has received two actionable referrals in 2020/21 to date. The first case (relevant to a small business grant payment) has been closed and previously reported to the Audit and Standards Committee. The other (within the Place Directorate) is being progressed by the CFT and will be reported to Audit and Standards Committee once concluded.

In addition to the referrals that require further investigation, the CFT has continued to provided support and guidance to the Council in respect of the government initiative Coronavirus: Small Business Grant Fund (SBGF) as requested.

Any fraud alerts received by Internal Audit from the National Anti-Fraud Network (NAFN) are passed onto the relevant service area within the Council, to alert staff to the potential fraud.

Since the start of the Covid-19 pandemic ARA has provided the Council with regular updates on local and national scams which sought to take advantage of the unprecedented circumstances, including a rise in bank mandate frauds, inflated claims, duplicate payments and the submission of fraudulent SBGF applications.

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The uploading of data in respect of the next data matching exercise has begun and the new matches will be released for review from January 2021 onwards. Examples of data sets includes housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol. Not all matches are investigated but where possible all recommended matches are reviewed by Internal Audit, the Counter Fraud Unit (hosted by Cotswold District Council) or the appropriate service area.

In addition, there is an annual data matching exercise undertaken relating to matching the electoral register data to the single person discount data held within the council. Once all relevant data has been uploaded onto the NFI portal, a data match report is instantly produced and available for analysis.

Outcomes from the review of the matches will be reported to the Audit and Standards Committee once completed. The CFU will report on their NFI findings separately.

Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Standards Committee	Comments
Council Wide	Local Government Association Peer Review	1	Planned				Brought Forward from 19/20 plan. Interim report confirming 19/20 position issued to Committee in July 20. Audit review to be concluded and reported in 20/21.
Council Wide	Risk and Performance Reporting	1	Planned				Brought Forward from 19/20 plan.
Council Wide	Supplier Relief	1	Consultancy				New Activity. To be reported in 20/21 annual report.
Change & Transformation	Modernisation Programme	1	Planned				Brought Forward from 19/20 plan.
Place	Brimscombe Port - Project Management	1	Final Report Issued	Substantial	Satisfactory	06/10/2020	
Place	Carbon Neutral - Strategy	1	Planned				
Place	Gloucestershire Building Control Partnership - Limited Assurance Follow Up	1	Planned				Terms of Reference issued.
Place	Planning Applications	1	Audit in Progress				Brought Forward from 19/20 plan.
Place	Covid 19 Recovery Strategy	1	Planned				New Activity. Work replaces Corporate Delivery Plan audit.
Resources	Constitution Review	1	Deferred				Deferral (due to work on Business Grants) approved via the Revised Internal Audit Plan 20/21. To be re-considered as part of 21/22 audit planning process.
Resources	Corporate Delivery Plan	1	Deferred				Deferral (replaced by Covid 19 Recovery Strategy audit) approved via the Revised Internal Audit Plan 20/21. To be re-considered as part of 21/22 audit planning process.
Resources	Corporate Induction Process	1	Planned				
Resources	ICT Action Plan	1	Final Report Issued	Satisfactory	Satisfactory	06/10/2020	Brought Forward from 19/20 plan.
Resources	ICT Service Desk	1	Planned				
Resources	IT Disaster Recovery	1	Planned				
Resources	Wider ICT internal audit 20/21	1	Planned				Audit resources can support two further ICT internal audits within 20/21. ICT activity streams (e.g. Cyber Security and IT Infrastructure Strategy) and timing to be confirmed with SLT.
Resources	Information Management (Data Breaches)	1	Planned				
Resources	Littlecombe Scheme - Limited Assurance Follow Up	1	Planned				Terms of Reference issued.
Resources	Payroll - Starters	1	Final Report Issued	Substantial	Substantial	06/10/2020	
Resources	Procurement	1	Audit in Progress				
Communities	HRA Delivery Plan - Budget Savings	1	Planned				Brought Forward from 19/20 plan.
Communities	Anti-social Behaviour Management	2	Planned				
Communities	Careline Service	2	Planned				
Communities	Complaints Handling	2	Final Report Issued	Satisfactory	Satisfactory	06/10/2020	Brought Forward from 19/20 plan.
Communities	Housing Benefits - Overpayments	2	Deferred				Deferral (due to work on Business Grants) approved via the Revised Internal Audit Plan 20/21. To be re-considered as part of 21/22 audit planning process.
Communities	Tenancy Lettings	2	Draft Report Issued				
Communities	Electrical Works Contract	1	Final Report Issued	Limited	Limited	17/11/2020	
Communities	Housing Reactive Repairs & Maintenance	1	Planned				
Communities	Stratford Park Leisure Centre	1	Planned				New Activity.
Communities	Business Grants	1	Consultancy				New Activity. To be reported in 20/21 annual report.
Communities	Youth Service	2	Deferred				Deferral (due to work on Business Grants) approved via the Revised Internal Audit Plan 20/21. To be re-considered as part of 21/22 audit planning process.

STROUD DISTRICT COUNCIL

AGENDA ITEM NO

AUDIT AND STANDARDS COMMITTEE

17 NOVEMBER 2020

6

Report Title	**HALF-YEAR TREASURY MANAGEMENT ACTIVITY REPORT 2020/21**			
Purpose of Report	To provide an update on treasury management activity as at 30/09/2020.			
Decision(s)	**The Audit and Standards Committee RESOLVES to accept the treasury management activity half year report for 2020/2021.**			
Consultation and Feedback	Link Asset Services (LAS).			
Report Author	Graham Bailey, Principal Accountant Tel: 01453 754133, E-mail: graham.bailey@stroud.gov.uk			
Options	None			
Background Papers	None			
Appendices	A – Prudential Indicators as at 30 September 2020 B – Explanation of prudential indicators			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

Background

1. Treasury management is defined as: 'The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

2. This report is presented to the Audit and Standards Committee to provide an overview of the investment activity and performance for the first half year of the financial year, and to report on prudential indicators and compliance with treasury limits. A quarterly report is regarded as good practice, but is not essential under the Code of Practice for Treasury Management (the Code).

Discussion

3. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the revised Code in November 2011, originally adopted by this Council on 21 January 2010. This half year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

    - A review of the Treasury Management Strategy Statement (TMSS) and Investment Strategy

- A review of the Council’s investment portfolio for 2020/21
- A review of the Council’s borrowing strategy for 2020/21
- A review of compliance with Treasury and Prudential Limits for 2020/21.
- Other Treasury Issues

Treasury Management Strategy Statement and Investment Strategy update

4. The TMSS for 2020/21 was approved by Council on 20th February 2020. The Council’s Investment Strategy, which is incorporated in the TMSS, outlines the Council’s investment priorities as follows:

    1. Security of Capital

    2. Liquidity

    3. Yield

5. In 2020-21 the Council will continue to invest for the longest permitted duration with quality counterparties to maximise return without compromising security, or liquidity. In particular instances the Section 151 Officer will authorise investments in the LAS blue category for a period of up to two years, which is currently longer than the LAS recommended duration of one year. Otherwise, the length of investments permitted will vary if necessary in line with LAS advice subject to the Council’s 3-year upper limit.
6. The composition of the Council’s investment portfolio as at 30 September 2020 is shown in Table 3 of this report. Investments & borrowing during the year have been in line with the strategy.
7. Current advice from Link is to invest for no more than a year with UK banks, or up to a maximum of five years with government or local government provided they are sufficiently highly rated on Link’s weekly list.

Investment Portfolio 2020/21

8. In accordance with the Code, it is the Council’s priority to ensure security and liquidity of investments, and once satisfied with security and liquidity, to obtain a good level of return. The investment portfolio yield for the first half year is shown in the table below:

TABLE 1: Average Interest Rate Compared With Benchmark Rates

	Period	Investment Interest Earned £	Average Investment £m	Rate of Return	Benchmark Return 7 day LIBID uncompounded	For comparison 3 month LIBID uncompounded
Internally Managed Specified	01/04/2020 - 30/06/2020	49,874	46.444	0.422%	-0.04%	0.26%
Property Fund / Multi-Asset Fund		54,649	8.763	2.47%	-0.04%	0.26%
Total Quarter 1		**104,523**	**55.207**	**0.75%**	**-0.04%**	**0.26%**
Internally Managed Specified	01/07/2020 - 30/09/2020	34,997	48.928	0.284%	-0.07%	-0.06%
Property Fund / Multi-Asset Fund		*	8.872	*	-0.07%	-0.06%
Total Quarter 2		*	**57.800**	*	**-0.07%**	**-0.06%**
TOTAL	01/04/2020 - 30/09/2020	*	**56.504**	*	**-0.06%**	**0.10%**

* at the time of preparing the report second quarter income figures for the Hermes Property Fund were unavailable, they should be available at the time of the meeting

TABLE 2: Funds Performance – Quarter 2 2020-21

Fund	Initial Investment £m	Value as at 30/09/2020 £m	Return Apr - Sep 2020
Lothbury	4.000	3.766	2.51%
Hermes	2.000	1.920	*
Royal London	3.000	3.117	2.38%

9. The approved limits as set out in the Treasury Management Strategy report to Council 20th February 2020 within the Annual Investment Strategy were not breached during the first 6 months of 2020/21.

10. Funds were available for investment on a temporary basis. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The authority holds £15m core cash balances for investment purposes (i.e. funds that potentially could be invested for more than one year). By 30 September the Council has invested £9m into Property and Multi-Asset Funds with the objective of longer term investments improving the overall rate of return in future years. During October a further £1m was invested with the CCLA Multi-Asset Fund.

11. Table 3 below shows the investments and borrowing position at the end of September 2020.

TABLE 3: Investments as at 30 September 2020

	Jun 2020 £'000		Sep 2020 £'000	
Aberdeen	3,323		3,994	
Federated Prime Rate	4,000		3,109	
Deutsche	0		1	
Goldmans Sachs	1		1	
Money Market Funds Total		**7,324**		**7,105**
Bank of Scotland	0		0	
Lloyds	7,977		7,981	
Lloyds Banking Group Total		**7,977**		**7,981**
NatWest	0		1	
Royal Bank of Scotland	8		3,008	
RBS Banking Group Total		**8**		**3,009**
Standard Chartered	4,000		2,000	
Santander	7,959		7,969	
Barclays Bank Plc	7,753		7,758	
Svenska Handelsbanken	7,988		7,994	
Dudley Metropolitan Council	1,000		1,000	
Other Banks Total		**28,700**		**26,721**
Coventry Building Society	0	**0**	**6000**	**6,000**
TOTAL INVESTMENTS		**£44,009**		**£50,816**
Lothbury	3,884		3,766	
Hermes	1,946		1,920	
TOTAL PROPERTY FUNDS		**£5,830**		**£5,686**
RLAM	3,045		3,117	
TOTAL DIVERSIFIED FUNDS		**£3,045**		**£3,117**
PWLB		103,717		103,717
TOTAL BORROWING		**£103,717**		**£103,717**

External Borrowing

12. The Council's Capital Financing Requirements (CFR) for 2020/21 is £115.05m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (External Borrowing) or from internal balances on a temporary basis (Internal Borrowing). The Council has borrowing of £103.717m as at 30 September 2020.

Compliance with Treasury and Prudential Limits

13. It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Treasury and Prudential Indicators are outlined in the approved TMSS.

14. During the period to 30 September 2020 the Council has operated within treasury limits and Prudential Indicators set out in the Council's TMSS and with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix A.

IMPLICATIONS

15. **Financial Implications**

    There are no financial implications arising from the decision. The whole report is of a financial monitoring nature.

    Andrew Cummings, Strategic Director of Resources
    Email: andrew.cummings@stroud.gov.uk

16. **Legal Implications**

    The Council is required to have a Treasury Management Strategy to meet the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG Minimum Revenue Provision Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance. This report provides an overview of the treasury management activity for the first half year 2020/2021.

    One Legal
    Email: legal.service@tewkesbury.gov.uk

17. **Equality Implications**

    There are no equality implications arising from the recommendations made in this report.

18. **Environmental Implications**

    There are no environmental implications arising from the recommendations made in this report.

Prudential Indicators as at 30 September 2020

Prudential Indicator	2020/21 Indicator £'000	Actual as at 30 June 2020 £'000	Actual as at 30 Sept 2020 £'000
Capital Financing Requirement (CFR)	115,049	110,014	112,253
Gross Borrowing	105,717	103,717	103,717
Authorised Limit for external debt	137,000	103,717	103,717
Operational Boundary for external debt	129,000	103,717	103,717
Principal sums invested > 365 days	15,000	9,000	9,000
Maturity structure of borrowing limits			
Under 12 months	25%	1%	1%
12 months to 2 years	50%	0%	0%
2 years to 5 years	75%	2%	2%
5 years to 10 years	100%	0%	0%
10 years and above	100%	97%	97%

Explanation of prudential indicators

Central Government control of borrowing was ended and replaced with Prudential borrowing by the Local Government Act 2003. Prudential borrowing permitted local government organisations to borrow to fund capital spending plans provided they could demonstrate their affordability. Prudential indicators are the means to demonstrate affordability.

Gross borrowing – compares estimated gross borrowing in February 2020 strategy with actual gross borrowing as at 30 September 2020.

Capital financing requirement (CFR) – the capital financing requirement shows the underlying need of the Council to borrow for capital purposes as determined from the balance sheet. The overall positive CFR of £112.253m provides the Council with the opportunity to borrow if appropriate. £7.5m of borrowing is planned for 2020/21 arising from the approved capital programme, together with £1.9m minimum and voluntary revenue provisions for the repayment of debt.

Authorised limit for external debt - this is the maximum limit for gross external indebtedness. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cashflows. This limit has not been breached in the period 1 April 2020 to 30 September 2020.

Operational boundary for external debt – this is set as the more likely amount that may be required for day to day cashflow. This limit has not been breached in the period 1 April 2020 to 30 September 2020.

Upper limit for fixed and variable interest rate exposure – these limits allow the Council flexibility in its investment and borrowing options. Current investments are either fixed rate term investments or on call. Borrowing is at a fixed rate.

Upper limit for total principal sums invested for over 365 days – the amount it is considered can prudently be invested for a period in excess of a year. Current policy only permits lending beyond 1 year with other Local Authorities up to a maximum of 3 years. Property fund investments are subject to a 25 year maximum, and other investment funds up to 10 years as set out in Table 14 of the latest Treasury Management Strategy.

Deloitte.

STROUD DISTRICT COUNCIL

Stroud District Council

Report to the Audit and Standards Committee on the audit for the year ended 31 March 2020

Issued on 6 November 2020 for the meeting on 17 November 2020

Deloitte Confidential: Government and Public Services

Contents

01 Our final report

Introduction	3
Our audit explained	5
Significant risks	6
Other areas of audit interest	9
Other significant findings	13
Our audit report	17
Your annual report	18
Purpose of our report and responsibility statement	19

02 Appendices

The Impact of Covid-19	21
Audit adjustments	22
Fraud responsibilities and representations	23
Independence and fees	24
Revised Value for Money Audit Requirements for 2020/21	25
Covid-19 impact on Financial Sustainability for 2020/21	26

Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit and Standards Committee of Stroud District Council (the Council) for the 2020 audit of Stroud District Council. The scope of our audit was set out within our planning report presented to the Audit and Standards Committee in January 2020.

Status of the audit	Our audit is substantially complete subject to completion of the following principal matters: • finalisation of audit work including: • final review of the prior year adjustment of the investment property reclassification • completion of our investments testing • completion of Pension liability and asset testing including receipt of IAS19 letter from the pension fund auditor – expected in November due to timing of pension audit and impact of the Goodwin case; • finalisation of CIPFA checklist review and testing of disclosures in the financial statements; • receipt of final draft of the financial statements; • completion of internal quality assurance procedures; • completion of going concern procedures; • receipt of signed management representation letter; and • our review of events since 31 March 2020 through to signing.
Conclusions from our testing	At the time of issuing this report we have not identified any significant audit adjustments or disclosure deficiencies, however items may be identified on completion of the outstanding items above. Based on the current status of our audit work, we envisage issuing an unmodified audit opinion, however, we are finalising whether there are any matters in respect of the Council's arrangements. The Council has a rolling valuation over a five year period, part of this rolling revaluation, some assets are externally valued in each year. Externally valued asset's valuation report's have included a material uncertainty paragraph regarding the potential impact of Covid-19 on asset valuations. This is expected and has been seen on most valuations during the Covid-19 period. The Council has disclosed this within note 4 of the financial statements and we expect to make reference to this in our opinion as an Emphasis of Matter. In addition, we have received notification from the pension fund auditors that their report, once issued, is expected to reflect a similar material uncertainty for property held within the Gloucestershire County Pension Fund. Once their report is issued we will challenge it and assess any impact on both the financial statements and our audit opinion.

Introduction

The key messages in this report (continued)

Narrative Report & Annual Governance Statement	• We have reviewed the Council's Annual Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work. • The Annual Governance Statement will be checked for compliance with the Delivering Good Governance guidance issued by CIPFA/SOLACE. • We will update you verbally at the Audit Committee in relation to the progress in completing this audit work.
Duties as public auditor	• We did not receive any queries or objections from local electors this year. • We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.
Impact of Covid-19	The impact of Covid-19 has led to a material uncertainty being identified by the Council's external property valuer regarding the valuation of properties. This is based on guidance from RICS. As a result we expect to refer to this in our opinion as a emphasis of matter on property valuations. Following receipt of the IAS 19 letters from the Gloucester County Pension Fund we will consider whether this will also require an emphasis of matter paragraph. There are no other significant impacts of Covid-19 on the Council's Accounts and Annual Report identified at this time. Further impact of Covid-19 can be seen on slide 21.
Whole of Government Accounts (WGA)	The Council is not a sampled component for WGA reporting.

Our audit explained

We tailor our audit to your organisation

Identify changes in your business and environment
In our planning report we identified the key changes in your business and articulated how these impacted our audit approach.

Scoping
We have completed our audit in line with our audit plan.

Other findings
As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. These are set out from page 13 of this report.

Identify changes in your business and environment → Determine materiality → Scoping → Significant risk assessment → Conclude on significant risk areas → Other findings → Our audit report

Determine materiality
When planning our audit we set our materiality at £1,605k based on approximately 2% of the Council's year end gross expenditure. We updated our materiality assessment based on year-end figures to £1,518k (2% of gross expenditure). We report to you in this paper all misstatements above £76k.

Significant risk assessment
In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report. No additional risks have been identified since our Audit Plan.

Conclude on significant risk areas
We draw to the Committee's attention our conclusions on the significant audit risks.

Our audit report
Based on the current status of our audit work, we envisage issuing an audit report with and Emphasis of Matter in relation to the Material Uncertainty on valuations and unmodified audit opinion with no reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.

Significant risks
Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Completeness of Accruals	✓	✓	D+I	Satisfactory	●	Satisfactory	7
Management override of controls	✓	✓	D+I	Satisfactory	●	Satisfactory	8

Overly prudent, likely to lead to future credit ⊖ ⊖ ● ⊕ ⊕ Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Completeness of Accruals

Risk identified
Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure, particularly in relation to year end accruals.

There is an inherent fraud risk associated with the under recording of expenditure in order for the Council to report a more favourable year end position. There is therefore a risk that the Council may materially misstate its expenditure through the understatement of accruals in an attempt to report a more favourable year end position.

Deloitte response

- We obtained an understanding of the design and implementation of the key controls in place in relation to recording completeness and valuation of accruals;
- We performed focused testing in relation to the completeness of accruals by completing focused unrecorded liabilities testing;
- We reviewed the year-on-year movement in accruals and provisions investigated any significant downward movements.

Deloitte conclusion

We are in the process of finalising our internal reviews in relation to this work. We will provide a verbal update to the Audit and Standards Committee on progress.

Significant risks

Management Override of Controls

Risk identified
In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgements in the financial statements include those which we have selected to be the significant audit risks and other audit matters, (completeness of accruals, pension valuations and the Council's property valuations) and any one off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Deloitte response

- We have tested the design and implementation of key controls in place around journal entries and management estimates and judgements;
- We risk assessed journals and selected items for detailed testing. The journal entries were selected using computer assisted profiling based on criteria which we consider to be of audit interest;
- We tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting;
- We reviewed the accuracy of calculating its current year accruals and provisions;
- We are currently in progress on reviewing accounting estimates for biases that could result in material misstatements due to fraud.

Deloitte conclusion

We are in the process of finalising our internal reviews in relation to this work. We will provide a verbal update to the Audit and Standards Committee on progress. To date we have not identified any significant bias in the key judgements made by management.

Other areas of audit interest

Property Valuations

Risk identified
The Council held £309,107k of property assets (land and buildings) at 31 March 2020 which has increased from £301,434k as at 31 March 2019.

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. There is therefore a risk that that the carrying value of assets not included in the Council's revaluation process in the current year materially differ from the year end fair value.

The property valuation is an area of audit interest as even though the year end valuations are material they are performed by an independent expert on assets of a unique nature, whereby the valuations should not materially change year on year.

Material Uncertainty

Externally valued asset's valuation report's have included a material uncertainty paragraph regarding the potential impact of Covid-19 on asset valuations. This is expected and has been seen on most valuations during the Covid-19 period. The Council has disclosed this within note 4 of the financial statements and we expect to make reference to this in our opinion as an Emphasis of Matter.

Investment Properties
A prior year adjustment has been noted in relation to the classification of properties as investment properties. A detailed review in year has identified that the properties included were not purchased 'solely' for the purpose of returns in line with the requirements of the CIPFA code. This has resulted in an adjustment of the prior year comparatives within the financial statements and notes. We have challenged management whether the valuation approach adopted as at 31st March 2020, as an investment property remains appropriate following the reclassification.

Deloitte response

- We have understood how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation;
- We reviewed any revaluations and impairment reviews performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals;
- We have used our valuation specialists (Deloitte Real Estate), to support our review and challenge the appropriateness of the assumptions used in the year end valuation of the Council's Land and Buildings; and
- We have tested a sample of revalued assets and re-perform the calculation assessing whether the movement has been recorded through the correct line of the accounts.

Deloitte conclusion

Work has been completed including engagement with our Real Estate Specialists and recommendations raised by our specialists will be communicated to management.

We are in the process of finalising our internal reviews in relation to this work. We will provide a verbal update to the Audit and Standards Committee on progress. As stated on page 4, we expect to make reference to the material uncertainty disclosed by external valuers through an Emphasis of Matter paragraph in our audit report.

Other areas of audit interest

Pensions Valuation

Risk identified

The Council are part of the Local Government Pension Scheme operated by Gloucestershire County Council. The Council recognised a combined pensions liability of £48,839k at 31 March 2020 which increased from £39,146k as at 31 March 2019. The Code requires that their year end carrying value should reflect the appropriate fair value at that date. We understand that the Council has undergone a triannual valuation in the year which has amended the funding proportion of the Council.

Hymans Robertson act as the Council's expert actuary, who produce a report outlining the liability and disclosures required for each council. The pensions valuation is an area of audit interest due to the material values attached to the valuations and disclosures in the financial statements.

McCloud Judgment

The Council's pension liability is derived from actuarial estimates of the assets and liabilities of the Local Government Pension Scheme (LGPS). The scheme is affected by the McCloud legal case in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015. Last year the Government was denied leave to appeal the case, removing the uncertainty over recognition of a liability.

The Council commissioned its actuaries in the prior year to revise its liability assumptions for the LGPS. The result was an increase of £294k, in 2018/19. Within the 2019/20 financial statements a revision been made to the previous allowance for the recent McCloud ruling (following the publication of the Ministry of Housing, Communities and Local Government (MHCLG)). As the consultation was completed in July 2020 this would be included as a post balance sheet event. As the prior year adjustment is immaterial, we therefore conclude that any amendment post year end would also not be material to the council and therefore does not require inclusion in the financial statements.

Goodwin Judgement

The Goodwin judgement relates to sex discrimination as a result to changes that were made to pension rights for same sex married couples and relates to a tribunal ruling that was made on the 20th June 2020. For accounting at 31 March 2020, we note that the Council's pensions accounting in respect of LGPS makes no allowance for the Goodwin ruling, we are in the process of assessing with our pension specialists the impact of this case.

Pension Fund Auditor

We have received notification from the pension fund auditors that their report, once issued, is expected to reflect a similar material uncertainty for property held within the Gloucestershire County Pension Fund as that outlined on page 9. Once their report is issued we will challenge it and assess whether any impact on both the financial statements and our audit opinion.

Other areas of audit interest

Pensions Valuation (continued)

Deloitte response

- We obtained a copy of the actuarial report produced by Hymans Robertson, the scheme actuary, and agreed in the disclosures to notes in the accounts.
- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.
- We have written to the auditors of Gloucestershire County Pension fund and are yet to receive the IAS19 letter, on conclusion of their work.
- We currently assessing the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements for the year and will compare to the IAS 19 letter when receipted.
- Our specialists are currently reviewing and finalising their work on the assumptions made by Hymans Robertson.

Deloitte conclusion

The review of the actuarial assumptions are currently being finalised by our internal specialist with comparison to Deloitte benchmarks. A discussion is due to take place prior to the committee but after the issuance of this report between the actuaries and our pension specialists on some of the key assumptions in determining the pension liability. Finalisation of the work will allow us to conclude whether the assumptions have been set in accordance with generally accepted actuarial principles and are compliant with the accounting standard requirements of IAS19. We will provide a verbal update to the committee on the outcomes of this discussions.

We are to review and challenging of the IAS 19 letter from the pension scheme auditor when receipted. This has been delayed primarily due to the McCloud and Goodwin cases discussed on page 9.

Other areas of audit interest

Value for Money

Risk identified

Under the National Audit Office's Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.

Deloitte response

Our work in this area included a detailed risk assessment which has taken into account:

- A full understanding of the UBICO contract and efficiency measures in place and their related outcomes;
- High level interviews with senior operational staff and internal audit as required;
- Review of the Council's draft Annual Report, Annual Governance Statement and Council papers and minutes and
- Consideration of the Council's financial results..

Deloitte conclusion

Our work to determine whether there are any matters in respect of the Council's arrangements which would impact our opinion that the Council is securing economy, efficiency and effectiveness in the use of resources, the Annual Governance Statement and Narrative report.

Our work in this area has been completed subject to finalisation of our internal reviews.

Other significant findings

Internal control and risk management

During the course of our audit we have identified a number of internal control and risk management findings, which we have included below for information.

	Observation	Deloitte recommendation	Management response
The fixed asset register (FAR) is complex and does not include all relevant PPE movements	The FAR is complex and does not include all relevant PPE movements, eg the Major repairs additions, or depreciation for council houses. There are also several other tabs required to reconcile the FAR to the annual accounts. This has contributed to revaluation movements being accounted for in cost when they should be for accumulated depreciation. We would expect that all movements and property balances are included in a single FAR.	Management should review the compilation of the FAR and the presentation of movements.	TBC

Other significant findings (continued)
Follow up of prior year recommendations

	Observation	Deloitte recommendation	Management response	Current Year Status
Financial statements	Whilst the quality of the narrative in the financial statements is deemed high standard. We identified that the reconciliation between the trial balance and the accounts contained a number of manual adjustments and was not easy to map. In addition, supporting working papers for the notes to the financial statements required significant efforts to understand and reconcile and often resulted in a number of adjustments being made to the financial statements. In addition, we identified that the cashflow contains a balancing figure. This is below our reporting threshold, however, it is not deemed good practice to make the cashflow balance this way. Further, we identified that the accounts included a number of analysis notes which were difficult to reconcile to supporting documentation and audit. A number of these seemed to present additional information over and above CIPFA requirements.	It is recommended that an exercise be undertaken to map the trial balance to the financial statements and that this working paper be expanded to also link the primary statements to the supporting disclosure notes. In addition, it is recommended that the cashflow statement is re-worked to ensure that it balances. Finally, it is recommended that the accounts are reviewed to streamline the accounts to include information that adds value to the reader whilst being CIPFA compliant at the same time.	A piece of work has already commenced to utilise BusinessWorld reporting functionality to automate production of the Statement of Accounts, to include mapping from the Trial Balance to the primary statements and disclosure notes. **Responsible Officer:** L Clothier **Date for completion:** March 2020 The cash flow statement will be re-worked in the manner recommended. **Responsible Officer:** G Bailey **Date for completion:** March 2020 A review of the need for particular notes and analysis will be conducted to streamline the Statement of Accounts where possible, without compromising on CIPFA compliance. **Responsible Officer:** G Bailey **Date for completion:** March 2020	There has been significant progress on the mapping of the trial balance in year. This was much simpler than previously. A review of the notes has taken place. No significant issues have been noted to date however, our review of the final version of the accounts are ongoing.

Other significant findings (continued)

Follow up of prior year recommendations (continued)

	Observation	Deloitte recommendation	Management response	Current Year Status
Preparation for IFRS 16	The implementation of IFRS 16, Leases, for 2020/21 is expected to have a greater and more complex impact upon most Councils than the adoption of IFRS 9 and 15. The scope and potential complexity of work required, which may require system or process changes to underpin correct accounting under the standard, will require work to be completed at a significantly earlier stage than has been the case for IFRS 9 and 15 to allow for financial reporting timetables to be met. We recommend the Council targets completion of its IFRS 16 impact analysis during 2019/20, and to calculate an adjusted opening balance sheet position for audit following the 31 March 2020 audit.	We recommend early consideration following the impact analysis of actions required to embed IFRS 16 accounting in the Council's underlying accounting systems.	Some preliminary work has been done on this, and a full impact assessment will be completed during the financial year 2019/20. The aim is also to complete an adjusted opening balance sheet position following the March 2020 audit. **Responsible Officer:** G Bailey **Date for completion:** July 2020	This work is ongoing and will continue during 20/21 financial period. The implementation of IFRS 16 has been postponed by another year due to the Covid-19 pandemic.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

No issues have been identified.

Significant matters discussed with management:

There have been no significant matters arising from the audit.

Other matters relevant to financial reporting:

There are no other matters required to be raised.

We will obtain written representations from those charged with governance on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Our audit report

Matters relating to the form and content of our report

Here we discuss how the results of the audit are expected to impact on other significant sections of our audit report.

Our opinion on the financial statements

Our opinion on the financial statements is expected to be unmodified.

Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern at the date of this report, however work in this section is ongoing and we will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

Emphasis of matter and other matter paragraphs

Due to the disclosure of a material uncertainty clause in external valuation we envisage that it is necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.

Our value for money conclusion

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).

Our conclusion on the Council's arrangements is expected to be unmodified.

Other reporting responsibilities

Work is ongoing on the Annual Report to review for material consistency with the financial statements and the audit work performed and to ensure that they are fair, balanced and reasonable.

Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement..

	Requirement	Deloitte response
Narrative Report	The Narrative Report is expected to address (as relevant to the Council): - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation.	We are finalising our assessment as to whether the Narrative Report has been prepared in accordance with CIPFA guidance. Work around the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit is still ongoing. We will conclude when we are satisfied that the report is fair, balanced and understandable. We will update management and when all reviews are completed of our findings and where appropriate request revision in order to comply with guidance.
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Standards Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Who we report to

This report has been prepared for the Audit and Standards Committee and the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

We welcome the opportunity to discuss our report with you and receive your feedback.

Michelle Hopton

for and on behalf of Deloitte LLP

Bristol

6 November 2020

Appendices

The Impact of Covid-19

Covid-19 pandemic and its impact on our audit.

CIPFA has issued guidance highlighting the importance of considering the impact of Covid-19 in preparation of the 2019/20 financial statements, including communicating risks and governance impacts in narrative reporting. This is consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of Covid-19 and related uncertainties, including their impact on resilience and going concern assessments.

In a normal year we perform the majority of the audit work on client site, however due to the pandemic we have been working remotely and sharing information over a sharepoint site which has been set up. We have maintained catch-up calls with management and arranged calls for explanations and discussions.

Impact on annual report and financial statements

Impact on property, plant and equipment	The Royal Institute of Chartered Surveyors has issued a practice alert, as a result of which, valuers have identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. External valuations for the Council has shown that a material uncertainty clause has been included. The Council have disclosed this in note 4 of the financial statements this will result in an Emphasis of Matter in our audit report. Consistent with what we have seen in other clients, the Council's valuers have included material valuation uncertainty in respect of the Council's properties. This will be reflected as an Emphasis of Matter in out audit opinion.
Impact on pension fund investment measurement	As a result of the Covid-19 pandemic pension fund investments have been subject to volatility. It is important to ensure that measurements for the IAS 19 report is updated to the most available data as at 31 March 2020. Where Covid-19 has caused such volatility it may mean that the inputs used in the fair value measurement may change and may require a change of measurement technique, and consideration of the level of uncertainty in valuations where there is significantly more estimation. we have received notification from the pension fund auditors that their report, once issued, is expected to reflect a material uncertainty for property held within the Gloucestershire County Pension Fund. Once their report is issued we will challenge it and assess any impact on both the financial statements and our audit opinion.
Going concern assessment	The Council needs to report on the impact of financial pressures and its financial sustainability in the narrative report and the relevant liquidity reporting requirements under the Code's adoption of IFRS 7 Financial Instruments: Disclosures.
Events after the reporting period and relevant disclosures	Local authorities began to see the most substantial impacts of Covid-19 in March 2020 and therefore before the end of the reporting period. The Council will need to consider the events after the Reporting Period and whether these events will be adjusting or non-adjusting and make decisions on a transaction by transaction basis. The council will need to make significant judgements about these decisions and the nature of the Covid-19 pandemic will mean that they will need to continually review and update these assessments up to the date the accounts are authorised for issue.

Audit adjustments

Unadjusted misstatements and disclosure deficiencies

The following uncorrected misstatement has been identified up to the date of this report which we are required to report as it is above our reporting threshold and we request that you consider whether to ask management to correct as required by ISAs (UK).

	Debit/ (credit) CIES £k	Debit/ (credit) in net assets £k	Debit/ (credit) prior year reserves £k	*Memo: Debit/ (credit) usable reserves £k*	If applicable, control deficiency identified
Misstatements identified in current year					
No items to note at the point of issue of this report					
Total	**-**	**-**	**-**	**-**	

Disclosure Deficiencies

At the time of issuing this report we are finalising our review of the CIPFA checklist. We will update management on our findings and where appropriate request revision in order to comply with guidance.

Fraud responsibilities and representations

Responsibilities explained

Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the Council .

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Audit work performed:

In our planning we identified completeness of accruals and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance and have not identified any further risks relating to fraud.

Concerns:

No concerns to raise.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with FRC Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	The audit fee for the external audit of Stroud District Council in 2019/20, provided by PSAA, was £40,021. Due to the work completed on the prior year adjustments and further time spent on technical accounting areas, discussions will be held with management of the amount of overrun fees. There are no non-audit fees.
Non-audit services	In our opinion there are no inconsistencies between FRC Ethical Standards for Auditors and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence. We are not aware of any relationships which are required to be disclosed.

Revised Value for Money audit requirements

The National Audit Office has revised AGN03 reflecting the new Code of Audit Practice applicable for 2020/21 audits onwards

Issue

In January 2020 the National Audit Office issued the new Code of Audit Practice for 2020/21 onwards. The Code is applicable to NHS Trusts and Foundation Trusts, CCGs, and Local Authorities. This introduced significant changes to the requirements around Value for Money (the arrangements to secure economy, efficiency, and effectiveness in the use of resources).

On 15 October, the National Audit Office published Auditor Guidance Note 03 (AGN03), Value for Money, setting out more detailed guidance on how the new requirements should be implemented. Key features of the requirements include:

- For all bodies, the auditor will need to provide a public narrative commentary against the Value for Money criteria in a new "Auditor's Annual Report" (AAR), [to be issued alongside the audit opinion for NHS bodies]. This commentary will include a summary against each of the reporting criteria, setting out the work undertaken, and judgements and local context relevant to the findings.
- This commentary needs to be supported by more extensive work to understand the body's arrangements to secure economy, efficiency and effectiveness, to support this commentary and to identify whether there are risks of significant weaknesses in arrangements.
- If a risk of significant weaknesses is identified, additional work is required to determine whether there are significant weaknesses and to make relevant recommendations if this is the case on a timely basis, which will also be explained in the Auditor's Annual Report. The AAR will also include follow up on previous recommendations in respect of significant weaknesses and whether they've been implemented satisfactorily.
- The audit opinion will continue to include reporting by exception, though now this will be where the auditor has identified a significant weakness in arrangements rather than an overall conclusion on arrangements.

The three criteria that would be considered in Value for Money work are be:

- **Financial sustainability:** How the body plans and manages its resources to ensure it can continue to deliver its services.
- **Governance:** How the body ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness:** How the body uses information about its costs and performance to improve the way it manages and delivers its services.

The National Audit Office and the audit firms are continuing to discuss the practical implementation of these new requirements and expectations as to the extent of procedures underpinning these requirements. Expectations in this area are likely to continue to evolve as practical issues emerge in implementation.

Next steps

- We will undertake the required VfM planning work under the revised procedures and we will report to the Audit Committee on our planned approach and any identified risks of significant weaknesses in arrangements as part of our planning for the audit of 2020/21.
- We are agreeing with management the timing for performing additional work on arrangements ahead of the 2020/21 year-end. When the national timetable is announced, we will agree with you the impact of the additional reporting requirements on the planned reporting timetable.
- As the detailed impact on scope becomes clearer, we will discuss and agree the impact of the required scope changes with management.

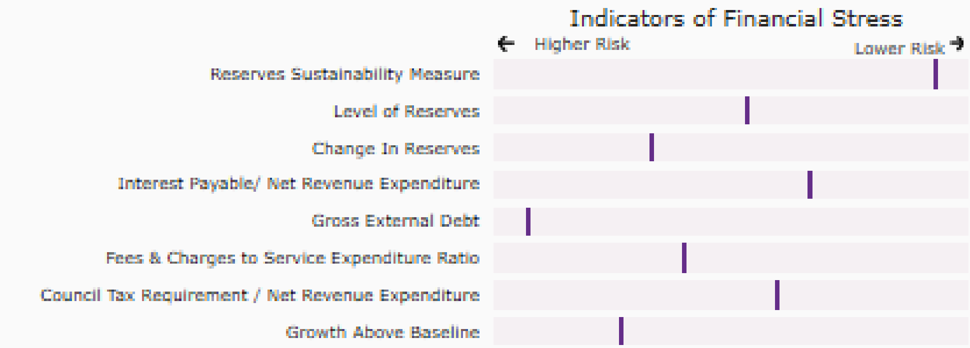
Financial sustainability

Covid-19 impact on 2020/21

Due to the timing of the Covid-19 pandemic there was limited impact on the Council's income and expenditure for the financial year currently under audit. However, as the committee will be well aware it is having a significant impact on the Council's operations and performance in 2020/21. Based on the Ministry of Housing, Communities & Local Government ("MHCLG") *Local authority COVID-19 financial management information reporting data*, during August Local Authorities were forecasting to incur additional Covid-19 related expenditure of £5.24bn in 2020/21 and to suffer a loss in income of £5.99bn over the same period. In relation to the cost increases, the largest expected pressure was in Adult Social Care which comprised £2.30bn to the total. For lost income the three main components were Business rates (£1.61bn), Council Tax (£1.56bn) and Sales, fees and charges (£2.01bn). To date the government has allocated £3.7bn of emergency funding to local authorities but this still leaves a significant gap which will present a challenge for the Council and will likely be an area which we need to focus upon in our value for money work in 2020/21.

Stroud District Council's position

At the start of the 2019/20 year, when compared to its nearest neighbour in the CIPFA Financial Resilience Index it was considered to be relatively high risk in relation to gross external debt, growth above baseline and change in reserves. However, overall it was relatively low risk overall and the reserves sustainability measure is at the maximum.



Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	14.99	100.00	100.00
Level of Reserves	59.40%	124.52%	256.25%
Change In Reserves	-16.67%	12.53%	164.32%
Interest Payable/ Net Revenue Expenditure	-0.06%	0.93%	27.90%
Gross External Debt	£0k	£103,717k	£104,047k
Fees & Charges to Service Expenditure Ratio	6.93%	21.41%	39.98%
Council Tax Requirement / Net Revenue Expenditure	48.62%	76.80%	100.00%
Growth Above Baseline	52.00%	98.00%	270.00%

Although the Council is in a relatively strong reserves position, Covid-19 nonetheless presents a significant financial challenge in 2020/21 and beyond. The Council's response will be an area we focus upon in our value for money work in 2020/21 and which we would expect to comment upon in our narrative commentary in the Auditor's Annual Report.

STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

17 NOVEMBER 2020

AGENDA ITEM NO

8

Report Title	**STATEMENT OF ACCOUNTS 2019/20**
Purpose of Report	To approve the Statement of Accounts 2019/20 and receive Deloitte's audit opinion, including the changes to the accounts since the unaudited accounts were signed off by the Strategic Director of Resources on 31 July 2020.
Decision(s)	**Audit and Standards Committee RESOLVES to:** **a) Approve the audited Statement of Accounts for the year ending 31 March 2020 and** **b) Approve that the Strategic Director of Resources and Chair of the Audit Committee sign the Statement of Accounts and the letter of representation.**
Consultation and Feedback	Not applicable.
Report Author	Graham Bailey, Principal Accountant Tel: 01453 754133 Email: graham.bailey@stroud.gov.uk
Options	None
Background Papers	None
Appendices	A – Statement of Accounts 2019/2020

Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

DISCUSSION

1. In accordance with requirements under the Accounts and Audit Regulations 2015, as amended by The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, the Strategic Director of Resources is required to sign and date the Statement of Accounts by 31 August 2020 and certify that it presents a true and fair view of the financial position of the Council at the end of March 2020 and its income and expenditure.

2. The Statement of Accounts for 2019/20 was signed as approved by the Strategic Director of Resources on 31 July 2020, in accordance with these requirements. The unaudited Statement of Accounts 2019/20 was made available on the Council's website from 31 July 2020 in compliance with the amended Accounts and Audit Regulations 2015.

3. A number of changes have been made to the unaudited Statement of Accounts 2019/20. Some changes are to the narrative content, general presentation for the benefit of readers and to the internal consistency and correctness of the figures in notes to the accounts.

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

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

6. The Council's external auditors Deloitte also present separately to this meeting their 'External Audit ISA260 Report 2019/20', which summarises their finding arising from their audit of the Statement of Accounts.

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

- **Movement in Reserves Statement**

  This is split between usable and unusable reserves and shows the detail of movement in reserves, from the surplus / (deficit) on provision of services in the Comprehensive Income and Expenditure Statement (CIES), to the position on the Balance Sheet at 31 March 2020.

- **Comprehensive Income and Expenditure Statement**

  The CIES consolidates all the financial gains and losses experienced

  during the year. The CIES has two sections:

  a) Surplus or Deficit on the Provision of Services – which shows the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income.
  b) Other Comprehensive Income and Expenditure – which shows any other changes to net worth, and examples include movements in the fair value of assets or actuarial gains or losses on pension assets and liabilities.

- **Balance Sheet**

  The Balance Sheet summarises the Council's financial position at 31 March 2020. The top half shows accrued assets and liabilities. The bottom half is comprised of reserves, split between usable and unusable reserves, which represent the net worth of the Council.

- **Cash Flow Statement**

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

The **Expenditure and Funding Analysis** is included prominently before the main statements of the Statement of Accounts. This links the figures in the Comprehensive Income and Expenditure Statement to outturn figures reported to each of the Council's committees.

8. A full revised version of the accounts is enclosed at Appendix A. Once the accounts are approved a copy will be made available on the Council's internet site together with the Annual Governance Report http://www.stroud.gov.uk/council/public-notices/public-audit-of-accounts-for-the-year-ended-31-March-2020.

IMPLICATIONS

9. Financial Implications

There are no financial implications arising from this report.

Andrew Cummings, Strategic Director of Resources

Email: andrew.cummings@stroud.gov.uk

10. Legal Implications

As set out in the report the process and schedule for approval of the Statement of Accounts are regulated by the Accounts and Audit (England) Regulations 2015 as amended by The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

One Legal
Email: legal.services@tewkesbury.gov.uk

11. Equality Implications

There are no equality implications arising from the recommendations made in this report.

12. Environmental Implications

There are no environmental implications arising from the recommendations made in this report.

STROUD DISTRICT COUNCIL
www.stroud.gov.uk

Statement of Accounts 2019/20

Contents

Chief Financial Officer's Narrative Report - 1 -

Statement of Responsibilities for the Statement of Accounts - 12 -

Core Financial Statements - 13 -

Expenditure and Funding Analysis - 13 -

Comprehensive Income and Expenditure Statement - 14 -

Movement in Reserves Statement - 15 -

Balance Sheet - 17 -

Cash Flow Statement - 18 -

Notes to the Core Financial Statements - 19 -

Supplementary Financial Statements - 81 -

Independent Auditor's Report - 93 -

Glossary - 97 -

Feedback form – your views - 101 -

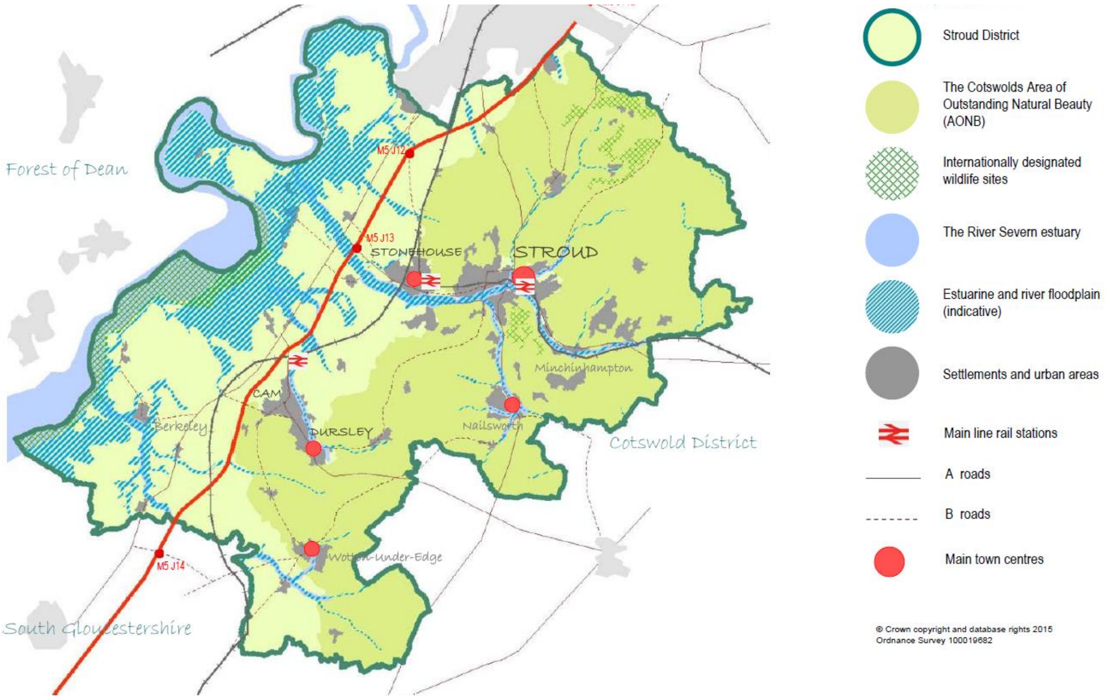
Chief Financial Officer's Narrative Report

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^2 or 175 $miles^2$). Stroud lies about 20 miles north of Bristol and immediately south of Gloucester and Cheltenham. Gloucestershire sits at the periphery of England's south west and has close links with the Midlands, as well as South Wales. Stroud District shares boundaries with Cotswold District, Gloucester City, Tewkesbury Borough and the unitary authority of South Gloucestershire. Our neighbour to the west is the Forest of Dean, which sits on the opposite bank of the River Severn estuary. Much of the eastern half of the District falls into the Cotswold National Landscape.



- Stroud has a population of 119,019 (ONS Mid 2018) living in 51,796 households
- Stroud's population is expected to grow to 134,900 by 2039 (ONS Population Projections)
- The new draft local plan has set out a strategy for distributing an additional 12,800 homes over the next 20 years

Political Structure

The Council should consist of 51 elected members representing 28 wards across the District. Elections are normally held every four years. The election due in May 2020 was postponed until May 2021. During 2019/20 the number of Councillors currently sitting reduced by one.

The current political make-up of the Council is:

Labour	15
Green	9
Liberal Democrat	2
Independent	3
Conservative	21

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 2019/20 year is as follows.

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

Senior Management

During the year the Council has agreed a new structure of the Senior Leadership Team, reporting to the Chief Executive Kathy O'Leary. Recruitment to these posts took place during the year and the team now consists of:

Strategic Director of Place – Brendan Cleere (Started Jan 2020)
Strategic Director of Change and Transformation – Caron Starkey (Started Dec 2019)
Strategic Director of Communities – Keith Gerrard (Started Mar 2020)
Strategic Director of Resources – Andrew Cummings (previously Head of Finance)

The statutory officers have been in place throughout the year. The Chief Financial Officer is Andrew Cummings and the Interim Monitoring Officer is Patrick Arran.

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:

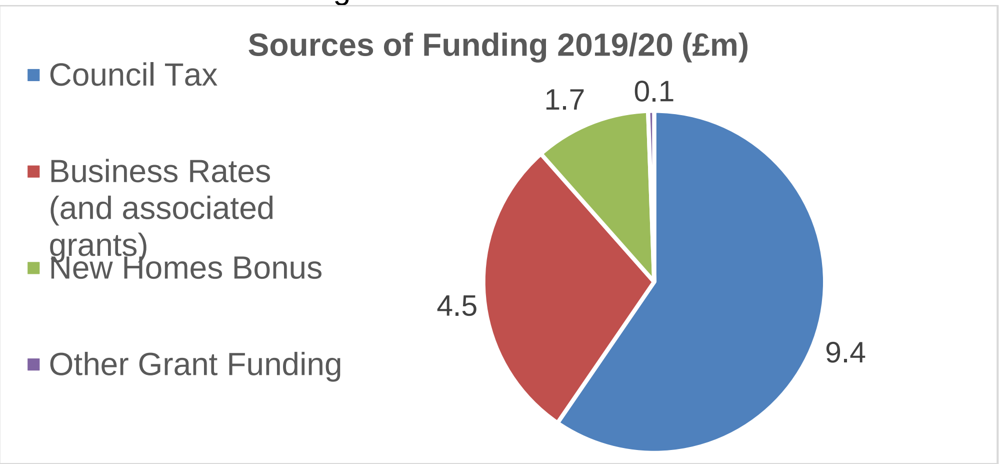
- **ECONOMY** - Help create a sustainable and vibrant economy that works for all.
- **AFFORDABLE HOUSING** - Provide affordable, energy-efficient homes for our diverse and changing population.
- **ENVIRONMENT** - Help the community minimise its carbon footprint, adapt to climate change and recycle more.
- **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.

During the year 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 updated the actions to be taken by the Council in the year and focuses on tangible, achievable activities to help shape the District. Progress towards achieving these outcomes has been monitored throughout the year.

In-Year Financial Performance

The final General Fund Revenue budget for 2019/20, including corporate items and reserve transfers, was £15.169m. The final outturn position for the year is £14.767m with funding of £15.740m, generating an underspend of £0.973m.

Funding was received in the following amounts:



The detailed outturn position is shown in the following table:

GENERAL FUND	**2019/20 Revised Budget £k**	**2019/20 Outturn £k**	**2019/20 Reserve Transfers £k**	**2019/20 Outturn Variance £k**
Community Services and Licensing	3,154	2,945	41	(168)
Environment	5,696	5,085	412	(200)
Housing General Fund	710	559	167	16
Strategy and Resources	7,358	8,476	(1,196)	(78)
SSC Income from HRA	(1,560)	(1,567)		(7)
Net Revenue Expenditure	**15,358**	**15,498**	**(576)**	**(436)**
Funding from Govt Grants/Council Tax	(15,168)	(15,740)	35	(537)
Transfers to/(from) Earmarked Reserves	(189)	(731)	542	(-)
Total General Fund	**-**	**(973)**	**-**	**(973)**

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

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

	Variance (under)/ overspend £k
Service Committees	
Salary savings across services	(340)
The Pulse	124
Ubico	(196)
Development Control income	163
Building Control	(167)
Recycling, Food Waste and Garden Waste income	(244)
Covid-19 - additional cost (Ebley Mill and Ubico)	20
Covid-19 - loss of income (car parking, The Pulse, Museum in the Park and fees and charges	80
Other variances across services (net)	21
Total Service Committee	**(539)**
Central Costs and Income	
Business Rates Pool	(542)
Bad Debt Provision	325
Investment Income	(44)
Minimum Revenue Provision	(89)
Unused savings (Work Force Plan pension)	(77)
Other small central savings	(7)
Total Central Costs/Income	**(434)**
Total Underspend	**(973)**

The Council's outturn report giving full details of budget performance across the year is published as part of the October 2020 Strategy and Resources Committee papers available on the Council website.

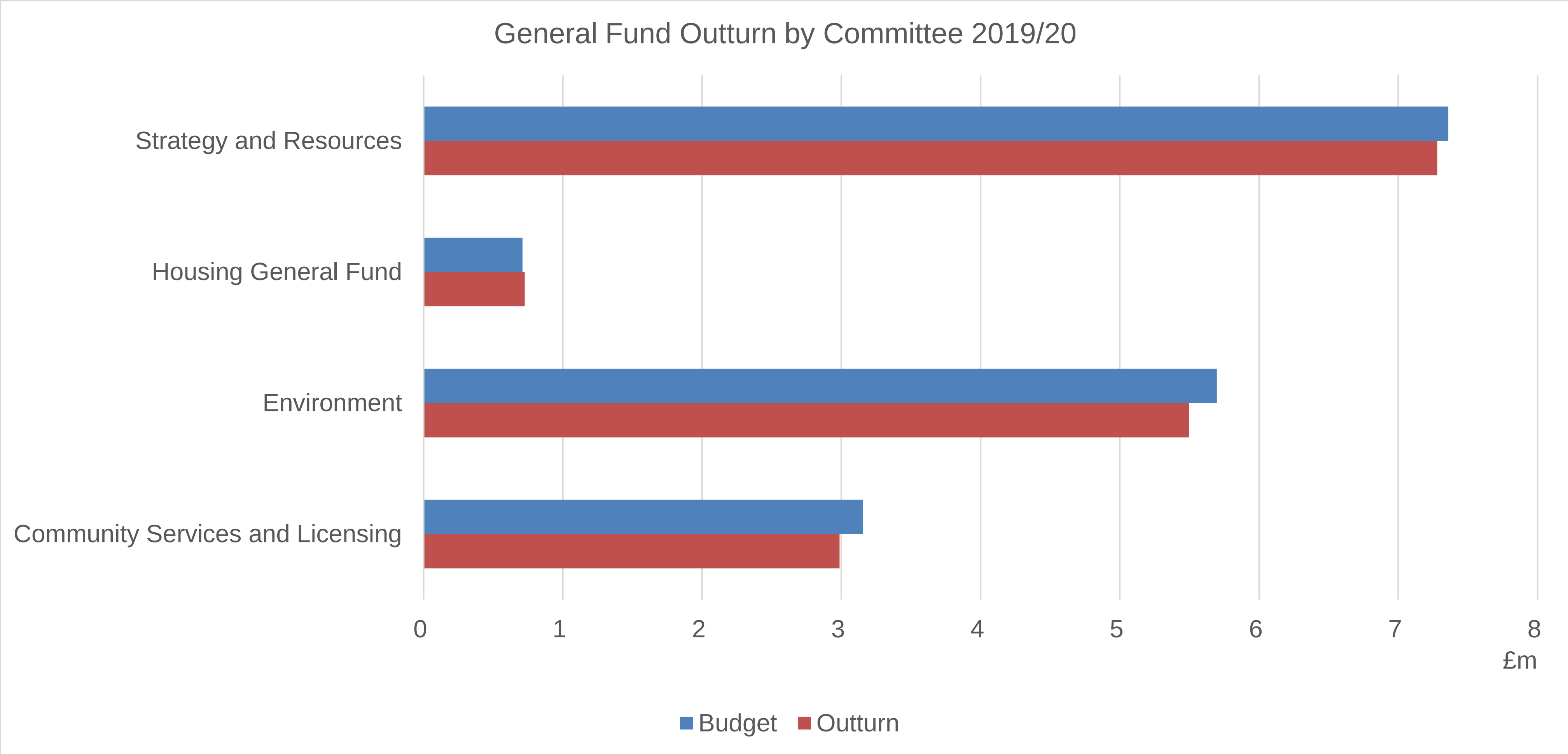
There has been a net increase in General Fund reserves in the year of £242k as a result of the factors below:

Use of Reserve	**Net Movement £k**
In year expenditure/income	(146)
Budgeted transfers to reserves	576
General Fund Underspend	973
Capital Financing	(1,161)
Total	**242**

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.

Reserve	**2018/19 £k**	**In-Year Movement £k**	**2019/20 £k**
Capital	5,418	(1,161)	4,257
Business Rates Pilot	897	(307)	590
Business Rates Safety Net	1,346	546	1,892
Waste and Recycling	600	-	600
Other Reserves	2,899	(501)	2,398
Transformation	400	278	678
Repairs and Replacement	200	52	252
Investment Risk	100	210	310
Covid-19 Recovery Reserve	-	492	492
Equalisation	6,091	633	6,724
General Fund Balance	2,169	-	2,169
Total GF Reserves	**20,120**	**242**	**20,362**

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

After the 100% retention Business Rates Pilot which ran in 2018/19 Gloucestershire has returned to the operation of a Business Rates Pool. This allows authorities to continue to share in the risks and rewards of the business rates retention system and allows additional:

- 20% to the Strategic Economic Development Fund (SEDF).
- 20% of the remaining balance goes to Gloucestershire County Council.
- The remainder is split between District Councils.

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

The total pool growth retained was £4.85 million of which Stroud District Council received £542k. The pool is continuing in 2020/21 although the levels of growth are likely to be lower due to the economic impacts of Covid 19.

Stroud's gain has been placed in an earmarked reserve for allocation to Covid-19 recovery.

Housing Revenue Account

The Council owns and maintains its own council housing stock and manages 4,991 properties with a balance sheet value of £267m (2018/19 £260m).

The HRA outturn position for 2019/20 shows a net transfer to general reserves of £1.044m, an increase of £0.994m over the revised budget position. A net amount of £0.170m has been transferred from earmarked reserves and £0.431m has been transferred from the Major Repairs Reserve. The main reasons for the variance are:

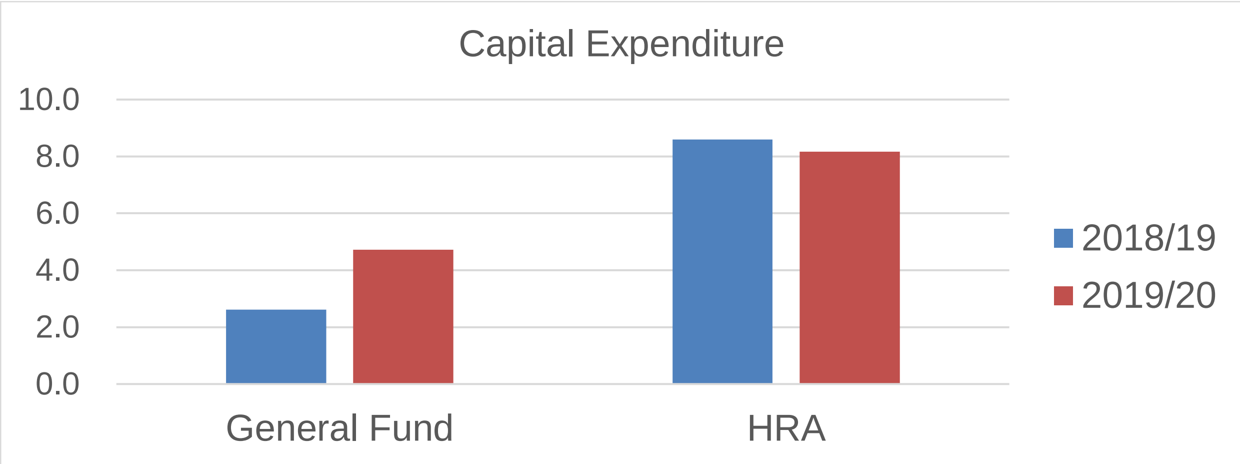
- (£0.856m) additional income through rents and other charges.
- (£0.246m) salary underspends.
- £0.182m additional spend on repairs and maintenance.
- (£0.152m) additional investment income.

The following table shows the position of HRA reserves for 2019/20.

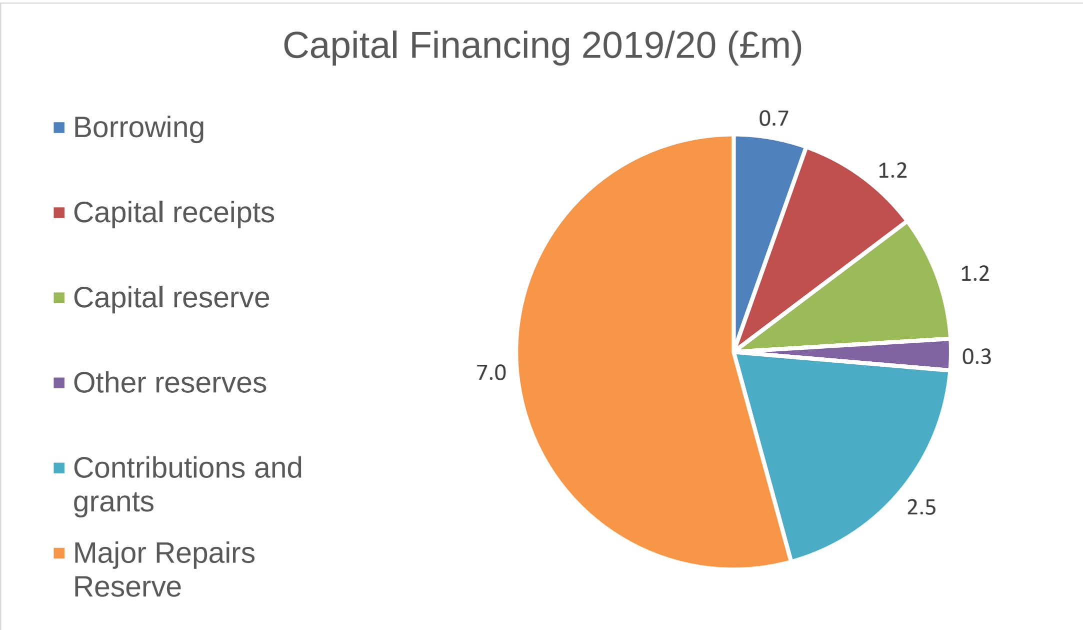
HRA Balances 2019/20	**Opening balance** **£k**	**Net transfers to/(from)** **£k**	**Closing balance** **£k**
General Reserves	3,386	1,044	4,430
Earmarked Reserves	4,095	(170)	3,925
Major Repairs Reserve	4,951	(431)	4,520
Total balances	**12,432**	**443**	**12,875**

Capital Outturn

General Fund capital expenditure for 2019/20 was £4.719m (£2.613m in 2018/19). Major General Fund capital projects included the Canal (£0.683m), ICT Investment Plan (£0.749m) and the Warm Homes fund (£0.670m). HRA Capital spend was £8.169m (£8.593m in 2018/19). £6.284m of this relates to major works on dwellings, with £1.219m relating to expenditure on the New Build and Development programme.



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 and borrowing.



Pension Fund performance

The balance sheet position of the Council's pension fund deficit has decreased in 2019/20 by £9.692m to £39.146m (£48.839m 2018/19). 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 76% of residents are satisfied or very satisfied with the way Stroud District Council delivers services, with 90% 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:

- Completing the transfer of housing repairs and maintenance service to an in-house provision "Property Care".
- Supported the establishment of a weekly parkrun in Stratford Park.
- Upgraded the Community Services fleet to electric and plug-in hybrid vehicles as part of our commitment to a Carbon Neutral District.
- Invested in a Community Bank to support local wealth building.
- Completed works at Concord in Nailsworth as part of the Sheltered Housing Modernisation Programme.
- Introduced a health and wellbeing plan with five priorities to show how the Council will work to improve residents wellbeing.

The Council has published a comprehensive report of progress made against corporate objectives during this financial year and this can be viewed at this link.

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. An update to this system is planned in 2020/21 with consistency across the committees and transparency of publication, being a key aim.

The Council has also continued to progress against the action plan arising from the LGA Corporate Peer Review. This review was carried out in March 2019 and actions have been reported on a quarterly basis throughout the year, with the summarising report for 2019/20 being found at this link.

The Outlook for the Future

The major issue impacting on the future success of the Council is clearly the repercussions from the Covid-19 pandemic. At the time of writing all indications point to a significant recession which is to likely to impact on the prosperity of the wider district and on the authority as a whole.

The Council is in a strong place to support the District in its recovery. As has been outlined in this report, the financial position was strengthened in 2019/20 with increases in both General Fund and Housing Revenue Account balances. This has included setting aside sums in reserves to assist with Covid recovery activities taking place throughout 2020/21 and beyond.

The pandemic and government restrictions have seen additional costs to the Council but more significantly there has been a loss of income. The Council has been actively monitoring and reporting the impact of these financial changes. This has included assessing the impact that government grant support will have on the financial position. A recent report was to the Strategy and Resources Committee in June 2020 (link). This report clearly sets out the pressures faced by the Council but also identifies the resources in place to meet them. An update on the estimated impact was considered at Council in October 2020 (link).

The recovery reserve of £442k will give the Council the resources to kickstart its recovery ambitions. An external recovery strategy has also been produced and approved by Strategy and Resources Committee (link). This strategy will form the basis for the Council's recovery actions working with partners across the region on recovery priorities.

A full revision of the Council's Corporate Delivery Plan (CDP) was planned for 2020, immediately after the now delayed elections. In the absence of such a revision the Council continues to work to the priorities of the existing CDP, set to expire in 2022. This is now supplemented by the objectives of the recovery strategy.

The Council will also be reviewing its Equalities Policy in 2020. A clear commitment has been made to the importance of the Council's position supporting all residents across the District. The review of the policy will consider how the Council works with the community on achieving shared goals of eliminating discrimination. In June 2020 a statement was signed by the Council's Group Leaders condemning racism and reaffirming the Council's commitment to promote equality and tackle discrimination and the review of the policy is a key element in achieving that.

The commitment to a Carbon Neutral District by 2030 remains a core underpinning strategy and in 2020 the Council will publish its Action Plan to achieve this. This will build on recent successes such as replacing conventionally fuelled vehicles and approving investment of over one million pounds for renewable heating systems in Council offices.

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. In 2019/20 the Council had a comprehensive risk management process dedicated to assessing the risks arising to the authority from the UK's exit from the European Union. As the end of the transition stage draws nearer these risks will be reassessed and risks will be reconsidered as necessary.

Financially, local government continues to be in uncertain times. The joint threat of the impact of Covid-19 upon the economy and a lack of clarity available on what the funding position will be in 2021/22 and beyond generates significant risks. However, the MTFP in its current form sets out a strong platform upon which to build a resilient future. The Council has recently begun a modernisation programme under the Strategic Director of Change and Transformation which will improve services for residents and make the Council more sustainable. A Comprehensive Spending Review has also been announced by central government which should give a three year settlement position for the Council and any changes as may be necessary will be incorporated into the Medium Term Financial Plan, to include the impact of Covid-19.

Summary of the Core Financial Statements

The Statement of Accounts summarises the Council's financial performance and cash flows for the 2019/20 financial year from 1 April 2019 to 31 March 2020 and its position at the financial year-end of 31 March 2020.

There are five core financial statements:

Expenditure and Funding Analysis (page 13)
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 14)
This statement shows the accounting cost in the year of providing the Council's services.

Movement in Reserves Statement (page 15)
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 £2.508m in 2019/20, (2019/20 £44.893m, 2018/19 £42.383m), with unusable reserves increasing by £21.024m (2019/20 £168.437m, 2018/19 £147.412m).

Balance Sheet (page 17)
This statement shows the assets and liabilities of the Council. The Total Net Worth of the Council increased by £23.535m in the year (2019/20 £213.330m, 2018/19 £189.795m).

Cash Flow Statement (page 18)
This statement shows the changes in cash and cash equivalents in the year. There was an increase in cash and cash equivalents of £3.306m (2019/20 £16.494m, 2018/19 £13.188m).

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

Housing Revenue Account Income and Expenditure Statement (page 82)
This statement shows the economic cost in the year of providing Housing services through the HRA.

Collection Fund Statement (page 88)
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 surplus on the NNDR element has increased by £0.499m (2019/20 £0.849m surplus, 2018/19 £0.350m surplus). There is a decrease on the Council Tax element of £0.836m (2019/20 £0.065m deficit, 2018/19 £0.771m 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 2020 and of its income and expenditure for the year then ended.

Signed: Date:

Andrew Cummings
Section 151 Officer

30 November 2020

Core Financial Statements

Core Financial Statements contain rounding (see Glossary) which affects the arithmetic accuracy of the figures.

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

2018/19 Restated				2019/20		
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**	*Figures in £000s*	**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**
3,440	-2,505	5,945	Community Services Committee	2,945	-2,112	5,057
4,739	-1,926	6,665	Environment Committee	5,085	-3,251	8,336
497	-1,369	1,866	Housing Committee - General Fund	559	-2,163	2,723
-5,529	-4,929	-600	Housing committee - Housing Revenue Account (HRA)	-5,643	132	-5,775
6,243	3,962	2,281	Strategy & Resources Committee	8,397	5,833	2,564
-1,687	-1,687	-	Accounting adjustments	-	-	-
7,703	**-8,454**	**16,157**	**Net Cost of Services**	**11,343**	**-1,561**	**12,905**
-11,276	537	-11,813	Other income and expenditure	-12,458	2,583	-15,041
-3,573	**-7,917**	**4,344**	**Surplus (-) or Deficit on Provision of Services**	**-1,115**	**1,022**	**-2,135**
-24,028			Opening General Fund and HRA balance	-27,601		
-3,573			Surplus or deficit on General Fund and HRA balance in year	-1,115		
-27,601			**Closing General Fund and HRA Balance**	**-28,716**		

General Fund Balance	**Housing Revenue Account Balance**	**Total Balances**		**General Fund Balance**	**Housing Revenue Account Balance**	**Total Balances**
-18,448	-5,580	**-24,028**	Opening balance	-20,120	-7,481	**-27,601**
-1,672	-1,901	**-3,573**	Surplus (-) / deficit	-241	-874	**-1,115**
-20,120	**-7,481**	**-27,601**	Closing balance	**-20,361**	**-8,355**	**-28,716**

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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement

2018/19 Restated					2019/20		
Gross expenditure	Gross income	Net expenditure	*Figures in £000s*	***Notes***	Gross expenditure	Gross income	Net expenditure
			Expenditure on Council Services				
29,347	-23,402	5,945	Community Services Committee		27,195	-22,138	5,057
12,313	-5,648	6,665	Environment Committee		13,123	-4,787	8,336
2,436	-570	1,866	Housing Committee - General Fund		3,181	-458	2,723
19,209	-22,978	-3,769	Housing Committee - Housing Revenue Account		17,504	-22,540	-5,036
3,169	-	3,169	Council dwelling revaluation (material item - page 87)		-	-739	-739
3,808	-1,528	2,281	Strategy & Resources Committee		5,113	-2,549	2,564
70,282	**-54,126**	**16,157**	**Surplus (-) / Deficit on Operations**		**66,116**	**-53,211**	**12,905**
5,362	-155	5,207	**Other Operating Expenditure**	*11*	4,428	-1,395	3,033
4,613	-522	4,091	**Financing & Investment Income & Expenditure**	*12*	5,396	-716	4,680
-	-21,111	-21,111	**Taxation & Non-Specific Grant Income**	*13*	-	-22,754	-22,754
		4,344	**Surplus (-) / Deficit on Provision of Services**				**-2,135**
		6,022	Surplus (-) / deficit on revaluation of property, plant & equipment assets	*26*			-7,514
		8,045	Actuarial remeasurement gains (-) / losses on pension assets / liabilities	*34*			-13,883
		14,067	**Other Comprehensive Income & Expenditure**				**-21,397**
		18,411	**Total Comprehensive Income & Expenditure**				**-23,532**

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 'unusable reserves'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory general fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments.

Movement in Reserves Statement 2019/20

	Notes	(a) General Fund Balance £000	(b) Housing Revenue Account £000	(c) Major Repairs Reserve £000	(d) Capital Receipts Reserve £000	(e) Capital Grants Unapplied £000	(f) Total Usable Reserves £000	(g) Unusable Reserves £000	(h) Total Authority Reserves £000
Balance at 31 March 2019		**20,120**	**7,481**	**4,951**	**9,184**	**647**	**42,383**	**147,412**	**189,795**
Surplus or (deficit) on provision of services (accounting basis)		(1,220)	3,355	-	-	-	**2,135**	-	**2,135**
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	21,397	**21,397**
Total Comprehensive Income & Expenditure		**(1,220)**	**3,355**	**-**	**-**	**-**	**2,135**	**21,397**	**23,532**
Adjustments between accounting basis & funding basis under regulations	*9*	1,459	(2,481)	(431)	1,427	397	**373**	(373)	**-**
Increase / (Decrease) in Year		**241**	**874**	**(431)**	**1,427**	**397**	**2,508**	**21,024**	**23,532**
Balance at 31 March 2020		**20,361**	**8,355**	**4,520**	**10,611**	**1,044**	**44,893**	**168,437**	**213,330**

General Fund and HRA balance analysed over		**General Fund**	**HRA**	**Total £000**
Amounts earmarked	*10*	**18,192**	**3,925**	**22,118**
Amounts uncommitted		**2,169**	**4,430**	**6,599**
Total General Fund and HRA balance as at 31 March 2020		**20,361**	**8,355**	**28,717**

Movement in Reserves Statement 2018/19

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

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

Balance Sheet

31 March 2019 Restated £000	Balance Sheet	*Notes*	31 March 2020 £000
309,519	Property, Plant & Equipment	*14*	317,385
140	Heritage Assets	*15*	140
32	Intangible Assets		17
-	Long Term Investments	*18*	8,702
306	Long-term Debtors	*18*	281
309,997	**Long-term Assets**		**326,525**
25,667	Short-term Investments	*18*	19,744
149	Assets Held for Sale	*22*	20
8,084	Short-term Debtors	*20*	8,525
13,188	Cash and Cash Equivalents	*21*	16,494
47,088	**Current Assets**		**44,783**
-	Short Term Borrowing	*18*	-1,000
-11,008	Short-term Creditors	*23*	-11,889
-11,008	**Current Liabilities**		**-12,889**
-2,213	Long-term Creditors	*23*	-2,186
-1,514	Provisions	*24*	-1,039
-103,717	Long-term Borrowing	*18*	-102,717
-48,839	Other Long-term Liabilities	*34*	-39,146
-156,283	**Long-term Liabilities**		**-145,088**
189,795	**Net Assets**		**213,330**
42,383	Usable Reserves	*25*	44,893
147,412	Unusable Reserves	*26*	168,437
189,795	**Total Reserves**		**213,330**

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 2019 £000		***Notes***	**31 March 2020 £000**
4,344	Net surplus (-) or deficit on the provision of services		-2,135
-25,807	Adjust net surplus or deficit on the provision of services for non-cash movements	*27*	-13,996
5,717	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		3,397
-15,746	Net cash flows from Operating Activities		-12,734
10,004	Investing Activities	*28*	9,428
2,000	Financing Activities	*29*	-
-3,742	**Net increase (-) or decrease in cash and cash equivalents**		**-3,306**
9,446	Net cash and cash equivalents at the beginning of the reporting period		13,188
13,188	Net cash and cash equivalents at the end of the reporting period	*21*	**16,494**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 under Section 21 of the 2003 Act primarily comprise the *Code of Practice on Local Council Accounting in the United Kingdom 2019/20* 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. They 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 2.3% (2.4% in 2018/19) 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 Council'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 Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (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 Council, 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 de-recognition 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 2020 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

These assets are held at cost. 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 14.29% 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 polices applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

Operating leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received).
- 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 in the first full year and in full in the final year 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 2020/21 Code:

Amendments to IAS 28 *Investments in Associates and Joint Ventures:* Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRS Standards 2015-2017 Cycle
Amendments to IAS 19 *Employee Benefits*: Plan Amendment, Curtailment or Settlement.

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

IFRS 16 has been deferred to the 2021/22 Code by CIPFA/LASAAC. It will result in some leased assets being capitalised and appearing on the balance sheet in 2021/22 as part of Property, Plant and Equipment. This is not estimated to be of a material value.

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 2020 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 2020. 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 £2.2m.

- 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 2020 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	Due to the emergence of a global pandemic during March 2020 valuations are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global.	PPE valuations account for £317m and so a 10% overstatement in valuation would reduce Total Net Worth by £31.7m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson LLP, is engaged to provide the Council	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £11.887m (2018/19 £14.912m). However, the assumptions interact in complex ways. During 2019/20, the Council's actuaries advised that the net pension liability had

	with expert advice about the assumptions to be applied.	decreased by £13.883m (increased by £8.045m 2018/19) as a result of re-measurements by the actuary.
Arrears	At 31 March 2020 the Council had a short-term debtor balance of £10.060m and a bad debt provision of £1.535m or 15.26% of the debt. If collection rates were to deteriorate, an additional bad debt provision would have to be made.	If collection rates were to deteriorate, an additional bad debt provision would have to be made. See notes 18, 19 and 20 for further details of debt outstanding.

5. Material Items of Income and Expense

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

- Decrease in net pension fund liabilities of £9.693m (see note 34).
- HRA capital programme which includes new build properties was £8.2m (2018/19 £8.6m). For more detail see note 4 of the HRA financial statements on page 85.

6. Events after the Balance Sheet Date

Following the emergence of a COVID-19 pandemic a UK lock-down was announced on 23 March 2020. Although affecting the valuation of investments, some income, and assumptions for arrears collection, this has not had a material impact on the financial outturn position for 2019/20.

The impact on the financial position in 2020/21 and beyond is expected to be significant, with leisure centres closed or working at reduced capacity, loss of car park income, pressures on income collection, costs of supporting the vulnerable and potential changes to valuation of properties. However, it is not possible to quantify the impact at this stage.

7. Note to the Expenditure and Funding Analysis

Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure amounts	Adjustments between Funding and Accounting Basis 2019/20			
	Adjustments for Capital Purposes (a)	Net change for the Pensions Adjustments (b)	Other Differences (c)	Total Adjustments
	£000	£000	£000	£000
Community Services Committee	-769	-661	-682	-2,112
Environment Committee	-963	-721	-1,567	-3,251
Housing Committee - General Fund	-1,838	-95	-230	-2,163
Housing Committee - Housing Revenue Account	1,472	-45	-1,295	132
Strategy & Resources Committee	1,173	898	3,762	5,833
Net Cost of Services	**-925**	**-624**	**-12**	**-1,561**
Other income and expenditure from the expenditure and funding analysis	3,981	-1,231	-167	2,583
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**3,056**	**-1,855**	**-179**	**1,022**

Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure amounts	Restated adjustments between Funding and Accounting Basis 2018/19			
	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	-4,416	-513	-	-4,929
Strategy & Resources Committee	-722	1,826	2,858	3,962
Accounting adjustments	-	-	-1,687	-1,687
Net Cost of Services	**-8,747**	**293**	**-**	**-8,454**
Other income and expenditure from the expenditure and funding analysis	1,471	-1,043	109	537
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-7,276**	**-750**	**109**	**-7,917**

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

Expenditure and Income Analysed by Nature	2018/19 £000	2019/20 £000
Expenditure		
Employee benefits expenses	15,320	16,688
Other services expenses	39,690	38,307
Depreciation, amortisation, impairment	11,970	11,141
Downwards revaluations of property	-	624
Gain (-) or loss on disposal of assets	1,129	-
Council house revaluation	3,302	-
Interest payments	4,613	4,760
Precepts and levies	3,772	4,061
Payments to housing capital receipts pool	461	367
Total Expenditure	**80,257**	**75,948**
Income		
Fees, charges and other service income	-30,839	-32,210
Interest and investment income	-677	-703
Gain (-) or loss on disposal of assets	-	-1,395
Upward revaluations of property	-210	-751
Income from council tax and non-domestic rates	-17,734	-17,985
Government grants and contributions	-26,454	-25,043
Total Income	**-75,914**	**-78,087**
Surplus or Deficit (-) on the Provision of Services	**4,344**	**-2,135**

Note 8 contains rounding (see Glossary) which affects the arithmetic accuracy of the figures.

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 2019/20

2019/20	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	1,490	365	-	-	-	-1,855
Council tax and NDR (transfers to (or from) Collection Fund Adjustment Account)	-144	-	-	-	-	144
Holiday pay (transferred to the Accumulated Absences Reserve)	9	2	-	-	-	-11
Reversal gains/losses on investments	311	-	-	-	-	-311
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)	4,757	5,947	-	-	-	-10,704
Total Adjustments to Revenue Resources	**6,421**	**6,315**	**-**	**-**	**-**	**-12,736**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-343	-3,054	-	3,397	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	28	-	-28	-	-
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	325	1,650	-	-	-	-1,975
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	367	-	-	-367	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-6,973	6,973	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-892	-	-900	-315	-	2,107
Total Adjustments between Revenue and Capital Resources	**-543**	**-8,349**	**6,073**	**2,687**	**-**	**132**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-1,259	-	1,259
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-6,504	-	-	6,504
Application of capital grants to finance capital expenditure	-2,953	-	-	-	397	2,557
Capital expenditure charged against the General Fund and HRA balances	-1,467	-446	-	-	-	1,913
Total Adjustments to Capital Resources	**-4,420**	**-446**	**-6,504**	**-1,259**	**397**	**12,233**
Total Adjustments	**1,459**	**-2,481**	**-431**	**1,427**	**397**	**-373**

Adjustments between Accounting Basis and Funding Basis under Regulations 2018/19

2018/19	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	Usable Reserves					
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	-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
Total Adjustments to Revenue Resources	**4,218**	**11,473**	**-**	**-**	**-**	**-15,691**
Adjustments between Revenue and Capital Resources						
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
Total Adjustments between Revenue and Capital Resources	**1,274**	**-6,993**	**5,954**	**5,222**	**-**	**-5,457**
Adjustments to Capital Resources						
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
Total Adjustments to Capital Resources	**-1,736**	**-319**	**-7,113**	**-1,270**	**-308**	**10,746**
Total Adjustments	**3,756**	**4,161**	**-1,159**	**3,951**	**-308**	**-10,401**

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 2019/20.

Transfers to / from Earmarked Reserves 2019/20

	Balance 31 March 2018	Tsfers From 2018/19	Tsfers To 2018/19	**Balance 31 March 2019**	Tsfers From 2019/20	Tsfers To 2019/20	**Balance 31 March 2020**
General Fund:	**£000**	£000	£000	**£000**	£000	£000	**£000**
Brexit reserve	-	-	18	18	-	35	53
Building control shared service	180	-	44	224	-102	-	122
Business rates pilot	-	-	897	897	-307	-	590
Business rates safety net	781	-	565	1,346	-	546	1,892
Capital	6,039	-621	-	5,418	-1,161	-	4,257
Climate change	168	-	32	200	-	75	275
Community infrastructure levy	-106	-42	366	218	-	347	565
Covid-19 recovery	-	-	-	-	-	492	492
Culture, arts and leisure reserve	-	-	-	-	-	130	130
General Fund carry forwards	273	-	150	423	-423	420	420
Efficiency and invest to save	150	-68	18	100	-100	-	-
Homelessness prevention	65	-	33	98	-	-	98
Investment risk	-	-	100	100	-	210	310
Legal counsel	50	-	-	50	-	-	50
Merrywalks car park	427	-427	-	-	-	-	-
MRP / VRP equalisation	250	-	-	250	-250	-	-
MTFP equalisation	6,017	-	74	6,091	-	632	6,723
Neighbourhood planning grant	71	-24	-	47	-33	-	14
Opportunity land purchase	250	-	-	250	-	-	250
PDG	36	-	14	50	-19	-	31
Pension fund	120	-	85	205	-205	-	-
Planning appeal costs	100	-	-	100	-	-	100
Redundancy	650	-162	-	488	-238	-	250
Repairs and replacement	-	-	200	200	-72	124	252
Street cleaning funding	-	-	20	20	-8	-	12
The Pulse	130	-	-	130	-130	-	-
Transformation	-	-	400	400	-	278	678
Waste management	600	-	-	600	-	-	600
Welfare reform	30	-	-	30	-	-	30
Total earmarked reserves - General Fund	**16,279**	**-1,344**	**3,016**	**17,951**	**-3,048**	**3,289**	**18,192**
HRA:							
HRA earmarked reserve	2,577	-852	2,370	4,095	-1,170	1,000	3,925
Total earmarked reserves - HRA	**2,577**	**-852**	**2,370**	**4,095**	**-1,170**	**1,000**	**3,925**
Total earmarked reserves	**18,856**	**-2,196**	**5,386**	**22,046**	**-4,218**	**4,289**	**22,118**

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

11. Other Operating Expenditure

2018/19 £000	Other Operating Expenditure	2019/20 £000
3,636	Parish council precepts	3,917
-155	Miscellaneous costs/income	-
136	Levies	144
461	Payments to the government housing capital receipts pool	367
1,129	Gains (-) / losses on the disposal of non-current assets	-1,395
5,207	**Total Other Operating Expenditure**	**3,033**

12. Financing and Investment Income and Expenditure

2018/19 Restated £000	Financing and Investment Income and Expenditure	2019/20 £000
3,570	Interest payable and similar charges	3,529
1,043	Net interest on the net defined benefit liability	1,231
-504	Interest receivable and similar income	-702
-18	Clean energy cashback	-14
-	Financial assets change in fair value	311
-	Bad debt provision	325
4,091	**Total Financing and Investment Income and Expenditure**	**4,680**

13. Taxation and Non-Specific Grant Income

2018/19 £000	Taxation and Non-Specific Grant Income	2019/20 £000
-12,516	Council tax income	-13,156
-5,218	Non-domestic rates	-4,829
-2,273	Non-ringfenced government grants	-1,816
-1,104	Capital grants and contributions	-2,953
-21,111	**Total Taxation and Non-Specific Grant Income**	**-22,754**

14. Property, Plant and Equipment

Property, Plant and Equipment						
Movements in 2019/20	**Council dwellings**	**Council dwellings under construction**	**Other land & buildings (incl. *community and surplus assets)**	**Vehicles, plant furniture & equipment**	**Infra-structure assets**	**Total property, plant & equipment**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation						
At 1 April 2019	260,243	3,630	51,571	8,938	328	324,710
Additions	6,836	1,113	219	1,567	-	9,735
Donations	-	-	-	-	-	-
Revaluation increases / decreases (-) recognised in the Revaluation Reserve	5,764	-	1,750	-	-	7,514
Revaluation increases / decreases (-) recognised in the Surplus / Deficit on the Provision of Services	-5,903	-	125	-	-	-5,778
Derecognition - disposals	-1,226	-	-174	-	-	-1,400
Derecognition - disposals recognised in revaluation reserve	-79	-	-347	-	-	-426
Transfers	1,470	-1,470	-	-	-	-
At 31 March 2020	**267,105**	**3,273**	**53,144**	**10,505**	**328**	**334,355**
Accumulated Depreciation & Impairment						
At 1 April 2019	-	-	-10,380	-4,615	-192	-15,187
Depreciation charge	-5,713	-	-515	-1,005	-11	-7,244
Depreciation written out to the Revaluation Reserve	-	-	-730	-	-	-730
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,713	-	483	-	-	6,196
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-
At 31 March 2019	**-**	**-**	**-11,142**	**-5,620**	**-203**	**-16,965**
Net Book Value						
At 31 March 2020	**267,105**	**3,273**	**42,002**	**4,885**	**125**	**317,385**
At 31 March 2019	260,243	3,630	41,191	4,323	136	309,519

*Other land and buildings includes £54k net book value of Community Assets, and £255k net book value of Surplus Assets.

Property, Plant and Equipment

Restated Movements in 2018/19	Council dwellings	Council dwellings under construction	Other land & buildings (incl. *community and surplus assets)	Vehicles, plant furniture & equipment	Infra-structure assets	Total property, plant & equipment
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2018	271,235	2,082	54,561	8,479	428	336,785
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	-10,054	-672	136	-	-	-10,590
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	-623	-	-52	-149
At 31 March 2019	**260,243**	**3,630**	**51,571**	**8,938**	**328**	**324,710**
Accumulated Depreciation & Impairment						
At 1 April 2018	-	-	-9,077	-3,647	-173	-12,897
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	-	-	-	-	-	-
At 31 March 2019	**-**	**-**	**-10,380**	**-4,615**	**-192**	**-15,187**
Net Book Value						
At 31 March 2019	**260,243**	**3,630**	**41,191**	**4,323**	**136**	**309,519**
At 31 March 2018	271,235	2,082	45,484	4,832	255	323,884

*Other land and buildings includes £54k net book value of Community Assets, and £255k net book value of Surplus Assets.

The presentation of Council Dwellings within the Property, Plant and Equipment tables has been revised to reflect how the assets are held on the Fixed Asset Register, and Investment Properties have been reclassified as Other Land and Buildings and Surplus Assets. Note 40 sets out the revisions in more detail.

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 is one capital scheme with contractual commitments greater than £300k as at 31 March 2020, a new housing scheme at Southbank, Woodchester £667k.

Revaluations

The Council carries out a rolling programme to ensure that all Property, Plant and Equipment measured at current value is revalued at least every five years, and those valuations are materially correct. Bruton Knowles have valued The Pulse, Museum in the Park, Gossington Depot, The Ship Inn, Littlecombe Business Park and investment properties on their reclassification to Other land and Buildings. 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. Revaluations are as at 31 March 2020.

Bruton Knowles have provided the following commentary in their report. ‘The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the property under frequent review.’

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

15. Heritage Assets

Heritage Assets	Heritage Properties	Painting	Warwick Vase	Total
	£000	£000	£000	£000
Cost or valuation				
At 31 March 2020	**20**	**80**	**40**	**140**

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 2015/16 to 2019/20.

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.

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

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

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

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

Woodchester Mansion - is a Grade I listed house in the Victorian Gothic style. It is absolutely unique because it is unfinished. Work started on the mansion in the mid-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.

16. Capital Expenditure and Capital Financing

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

Capital Expenditure and Financing	2018/19 £000	2019/20 £000
Opening Capital Financing Requirement	**112,364**	**111,468**
Capital Investment		
Property, Plant and Equipment	9,052	9,735
Intangible Assets	-	-
Revenue Expenditure Funded from Capital under Statute	2,154	3,151
Sources of Finance		
Capital receipts	-1,270	-1,259
Government grants and other contributions	-1,413	-2,557
Sums set aside from revenue	-7,734	-7,971
Direct revenue contributions	-330	-446
Minimum Revenue Provision	-927	-892
Voluntary Revenue Provision	-428	-1,215
Closing Capital Financing Requirement	**111,468**	**110,014**
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	-896	-1,454
Increase / (decrease) in Capital Financing Requirement	**-896**	**-1,454**

17. Leases

Council as Lessee

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

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

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

Future Minimum Lease Payments	31 March 2019 £000	31 March 2020 £000
Not later than one year	63	63
Later than one year and not later than five years	63	-
Later than five years	-	-
Total Future Minimum Lease Payments	**126**	**63**

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

CI&E Expenditure in year	2018/19 £000	2019/20 £000
Minimum lease payments	63	63
	63	**63**

Council as Lessor

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

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

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

Authority as Lessor	31 March 2019 £000	31 March 2020 £000
Not later than one year	71	71
Later than one year and not later than five years	71	-
Later than five years	-	-
Total Authority as Lessor	**142**	**71**

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 2019/20 nil contingent rents were receivable by the Council (2018/19 nil).

18. Financial Instruments

Categories of Financial Instruments

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

Categories of Financial Instruments	Long-term		Current	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Investments				
Financial assets at amortised cost	-	-	25,667	19,744
Financial assets at fair value through profit and loss	-	8,702	-	-
Total Investments	**-**	**8,702**	**25,667**	**19,744**
Debtors				
Financial assets at amortised cost	306	281	8,084	8,525
Financial assets carried at contract amounts	-	-	-	-
Total Debtors	**306**	**281**	**8,084**	**8,525**
Borrowings				
Financial liabilities at amortised cost	-103,717	-102,717	-	-1,000
Financial liabilities at fair value through profit and loss	-	-	-	-
Total Borrowings	**-103,717**	**-102,717**	**-**	**-1,000**
Creditors				
Financial liabilities carried at amortised cost	-	-	-	-
Financial liabilities carried at contract cost	-2,213	-2,186	-11,008	-11,889
Total Creditors	**-2,213**	**-2,186**	**-11,008**	**-11,889**

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 2019/20 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, except for Property Fund and Multi-Asset fund investments which use **Level 1 Inputs** – i.e. unadjusted quoted prices in active markets for identical shares.

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 property fund and multi-asset fund investments
Property funds and multi-asset funds prices are quoted in active markets.

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 2020, using bid prices where applicable.

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

The fair values calculated are as follows:

Fair Values - Liabilities

	31 March 2019		**31 March 2020**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Financial liabilities	103,717	129,259	103,717	123,208
Long-term creditors	2,213	1,840	2,186	1,818
Short-term creditors	11,008	11,008	11,889	11,889

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 2019		31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans & receivables	33,751	33,751	28,269	28,269
Long-term debtors	306	254	281	234

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.

Fair Values - Financial Assets

	31 March 2019	31 March 2020
	£000	£000
Lothbury Property Fund	-	3,908
Hermes Property Fund	-	2,009
Royal London Multi-Asset Fund	-	2,785
TOTAL	**-**	**8,702**

During 2019/20 the Council conducted a selection process for long term financial investments in property and multi-asset funds involving a cross-party group of Members. A total of £9m was invested. A capital loss at year end is taken through the CIES and reversed out to an unusable reserve. The Lothbury Property Fund on 22 May suspended new subscriptions and redemptions from the fund until further notice to protect the fund in the exceptional economic circumstances arising from the pandemic.

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 2020 there are no arrears cases, and there have been no repossessions 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 2020 was £24,500.

19. 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 21 February 2019 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2019/20 is £135m. This is the maximum limit of external borrowings or other long-term liabilities.

- The Operational Boundary is £127m. 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 2019/20 to credit risk in relation to its investments in banks and building societies was £58m. 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 2020 that this risk was likely to crystallise.

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

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

Potential Maximum Exposure to Credit Risk					
	Amount at 31 March 2020	**Historical experience of default**	**Historical experience adjusted for market conditions at 31 March 2020**	**Estimated maximum exposure to default & uncollectability at 31 March 2020**	**Estimated maximum exposure to default & uncollectability at 31 March 2019**
	£000	**%**	**%**	**£000**	**£000**
	A	B	C	(A*C)	
Bonds	-	-	-	-	-
Customers	8,525	4.5%	6.0%	512	364
				512	**364**

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 2019	**31 March 2020**
	£000	**£000**
Less than one year	11,008	12,889
Between one and two years	1,000	-
Between two and five years	4,000	4,000
More than five years	100,717	100,717
	116,725	**117,606**

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:-

Maturity Analysis - PWLB	31 March 2019 £000	31 March 2020 £000
Less than one year	-	1,000
Between one and two years	1,000	-
Between two and five years	2,000	2,000
Between five and ten years	-	-
More than ten years	100,717	100,717
Total	**103,717**	**103,717**

Market Risk

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

The Council is protected from this risk through not holding investments with the intention of trading; where 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 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

1% Interest Higher	
	2019/20 £000
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)	20,826

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.

20. Debtors

Debtors		
	31 March 2019	**31 March 2020**
	£000	**£000**
Central government bodies	1,925	3,050
Other local authorities	858	2,372
Other entities & individuals	5,301	3,103
Total Debtors	**8,084**	**8,525**

21. Cash and Cash Equivalents

Cash and Cash Equivalents	31 March 2019 £000	31 March 2020 £000
Cash held by the Authority	3	2
Bank current accounts	-595	-267
Short-term deposits with banks	13,780	16,759
Total Cash and Cash Equivalents	**13,188**	**16,494**

22. Assets Held for Sale

Assets Held for Sale	31 March 2019 £000	31 March 2020 £000
Balance outstanding at 1 April	2,441	149
Assets newly classified as held for sale:		
Other land	149	1
Revaluation gains		19
Assets declassified as held for sale:	-	-
Assets sold	-2,441	-149
Balance outstanding at 31 March	**149**	**20**

23. Creditors

Creditors	Current		Non-Current	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Central government bodies	2,160	4,181	2,000	2,000
Other local authorities	2,850	203	-	-
Public corporations & trading funds	-	-	213	186
Other entities & individuals	5,998	7,505	-	-
Total Creditors	**11,008**	**11,889**	**2,213**	**2,186**

24. Provisions

Provisions	Housing Repairs	NNDR	Total
	£000	£000	£000
Balance at 1 April 2019	624	890	1,514
Additional provisions made in 2019/20	-	-	-
Amounts used in 2019/20	-	-278	-278
Unused amounts reversed in 2019/20	-	-197	-197
Balance at 31 March 2020	**624**	**415**	**1,039**

Provision for NNDR has been utilised and reduced during the year.

The Housing Repairs provision is held pending agreement of a final account with a contractor.

25. Usable Reserves

31 March 2019	Usable Reserves	31 March 2020
£000		**£000**
2,169	General Fund	2,169
17,951	Earmarked General Fund Reserves	18,192
3,386	Housing Revenue Account	4,430
4,095	Earmarked HRA Reserves	3,926
4,951	Major Repairs Reserve	4,520
9,184	Capital Receipts Reserve	10,611
647	Capital Grants Unapplied	1,044
42,383	**Total Usable Reserves**	**44,893**

Note 25 table contains rounding (see Glossary) which affect the arithmetic accuracy of the figures.

26. Unusable Reserves

Unusable Reserves		
31 March 2019 £000		**31 March 2020 £000**
41,739	Revaluation Reserve	48,097
156,657	Capital Adjustment Account	159,474
-	Financial Instruments Adjustment Account	-311
-51,175	Pensions Reserve	-39,147
329	Collection Fund Adjustment Account	473
-138	Accumulating Absences Adjustment Account	-149
147,412	**Total Unusable Reserves**	**168,437**

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.

Revaluation Reserve		
31 March 2019 £000		**31 March 2020 £000**
50,012	**Balance at 1 April**	**41,739**
10,267	Upward revaluation of assets	7,515
-16,289	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-1
-6,022	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**7,514**
-730	Difference between fair value depreciation and historical cost depreciation	-730
-1,521	Accumulated gains on assets sold or scrapped	-426
-2,251	**Amount written off to the Capital Adjustment Account**	**-1,156**
41,739	**Balance at 31 March**	**48,097**

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.

Capital Adjustment Account

31 March 2019 Restated £000		31 March 2020 £000
164,168	**Balance at 1 April**	**156,657**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-9,677	Charges for depreciation and impairment of non-current assets	-1,778
-3,198	Revaluation (losses)/gains on PPE	-5,759
-21	Amortisation of intangible assets	-15
-2,154	Revenue expenditure funded from capital under statute	-3,151
-6,812	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-1,975
-21,862		-12,678
2,251	Adjusting amounts written out of the Revaluation Reserve	1,156
-19,611	**Net written out amount of the cost of non-current assets consumed in the year**	**-11,522**
	Capital financing applied in the year:	
1,270	Use of the Capital Receipts Reserve to finance new capital expenditure	1,259
7,113	Use of the Major Repairs Reserve to finance new capital expenditure	6,504
1,413	Application of grants to capital financing from the Capital Grants Unapplied Account	2,557
1,355	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	892
	Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	1,215
950	Capital expenditure charged against the General Fund and HRA balances	1,913
12,101		**14,340**
156,657	**Balance at 31 March**	**159,474**

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

Financial Instruments Adjustment Account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

Financial Instruments Adjustment Account		
31 March 2019 £000		31 March 2020 £000
-	**Balance at 1 April**	
-	Upward revaluation of investments	9
-	Downward revaluation of investments	-320
-	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	**-311**
-	**Balance at 31 March**	**-311**

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.

Pensions Reserve

31 March 2019 £000		31 March 2020 £000
-42,380	**Balance at 1 April**	**-51,175**
-8,045	Actuarial gains or losses on pensions assets and liabilities	13,883
-4,833	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	-5,919
4,083	Employers pension contributions and direct payments to pensioners payable in the year	4,064
-51,175	**Balance at 31 March**	**-39,147**

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.

Collection Fund Adjustment Account

31 March 2019 £000		31 March 2020 £000
221	**Balance at 1 April**	**329**
	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:	
-63	Council tax	-136
171	Non-domestic rates	280
329	**Balance at 31 March**	**473**

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.

31 March 2019 £000	Accumulated Absences Account	31 March 2020 £000
-139	**Balance at 1 April**	**-138**
139	Settlement or cancellation of accrual made at the end of the preceding year	138
-138	Amounts accrued at the end of the current year	-149
1	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	-11
-138	**Balance at 31 March**	**-149**

27. Cash Flow Statement – Operating Activities

31 March 2019 £000	Cash Flow Statement - Non-Cash Items Included in Surplus (-) / Deficit on Provision of Services	31 March 2020 £000
-1,560	Depreciation charges	-1,778
-21	Amortisation charges	-15
-13,469	Impairments and revaluations	-5,759
4,220	Increase (-) / decrease in creditors	-881
-	Increase (-) / decrease in long term creditors	27
-5,222	Increase / decrease (-) in debtors	441
-17	Increase / decrease (-) in long-term debtors	-25
-76	Increase (-) / decrease in provisions	475
-4	Increase / decrease (-) in inventories	-
-2,167	Pension prepayment	-2,336
-750	Non-cash charges for retirement benefits	-1,855
-6,812	Carrying amount of non-current assets sold	-1,975
-	Fair value of long term investments	-311
71	Other non-cash items	-
-25,807	**Non-cash items in Net Surplus (-) / Deficit**	**-13,996**

Note 27 table contains rounding (see Glossary) which affect the arithmetic accuracy of the figures.

28. Cash Flow Statement – Investing Activities

31 March 2019 £000	Cash Flow Statement - Investing Activities	31 March 2020 £000
11,206	Purchase of property, plant and equipment, investment property and intangible assets	9,735
47,672	Purchase of short-term and long-term investments	35,761
-5,717	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-3,397
-43,157	Proceeds from short-term and long-term investments	-32,671
10,004	**Net cash flows from investing activities**	**9,428**

29. Cash Flow Statement – Financing Activities

31 March 2019 £000	Cash Flow Statement - Financing Activities	31 March 2020 £000
-	Cash receipts of short-term and long-term borrowing	-
-	Other receipts from financing activities	-
2,000	Other payments for financing activities	-
2,000	**Net cash flows from financing activities**	**-**

30. Acquired or Discontinued Operations and Transferred Services

During March 2020 there was a TUPE transfer of six staff from Mi-Space Ltd as part of the commencement of an in-house housing maintenance service.
At the end of March 2019 the Subscription Rooms, a historic entertainments venue, transferred to Stroud Town Council and Stroud Subscription Rooms Trust.

31. Members' Allowances

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

Members' Allowances	2018/19 £000	2019/20 £000
Allowances	329	339
Expenses	4	6
Total Members' Allowances	**333**	**345**

32. Officers' Remuneration

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

Officers' Remuneration	Year	Salary, Fees & Allowances £	Pension Contribution £	Total £
Chief Executive *	2019/20	115,269	20,748	136,017
	2018/19	97,262	17,507	114,769
Strategic Director of Resources	2019/20	74,176	13,620	87,796
	2018/19	58,073	10,453	68,526
Strategic Director of Transformation & Change	2019/20	25,882	4,659	30,541
	2018/19	-	-	
Strategic Director of Place	2019/20	20,108	3,619	23,727
	2018/19	-	-	
Strategic Director of Communities	2019/20	6,667	1,200	7,867
	2018/19	-	-	
Legal Services Manager and Monitoring Officer	2019/20	-	-	-
	2018/19	36,176	6,512	42,688
Director (Tenant & Corporate Services)	2019/20	60,854	4,492	65,346
	2018/19	77,501	13,779	91,280
Director (Development Services)	2019/20	60,103	9,948	70,051
	2018/19	74,593	13,427	88,020
Director (Customer Services)	2019/20	-	-	-
	2018/19	74,611	13,430	88,041

During 2019-20 a new Senior Leadership Team was formed with the appointments of Strategic Director of Resources (9 October 2019), Strategic Director of Transformation and Change (13 December 2019), Strategic Director of Place (6 January 2020), and Strategic Director of Communities (1 March 2020). The Legal Services and Monitoring Officer is not currently directly employed by the Council.

Meanwhile, the following leadership roles came to an end; Director (Tenant & Corporate Services) (31 July 2019); Director (Development Services) (2 January 2020); and Director (Customer Services) (31/03/2019).

* There was a period between the current Chief Executive starting in November 2018 and the former Chief Executive leaving in October 2018 where the post was vacant

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

Remuneration Band	2018/19 Number of employees	2019/20 Number of employees
£50,000 - 54,999	4	5
£55,000 - 59,999	3	4
£60,000 - 64,999	-	2
£65,000 - 69,999	-	-

33. Termination Benefits

The Council terminated the contracts of 8 employees in 2019/20, incurring a liability of £145k (29 employees, £369k in 2018/19).

Termination Benefits

Exit package cost band £000	Compulsory		Other		Total exit		Total cost of exit	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £000	2019/20 £000
0 - 20	24	2	1	4	25	6	73	44
20 - 40	1	1	-	-	1	1	28	22
40 - 60	1	-	-	-	1	-	50	-
60 - 80	-	-	-	1	-	1	-	79
80 - 100	-	-	-	-	-	-	-	-
100 - 120	2	-	-	-	2	-	218	-
Total cost included in bandings and in the CIES	28	3	1	5	29	8	369	145

34. Defined Benefit Pension Scheme

Participation in Pension Scheme

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

The Council participates in the Local Government Pension Scheme, administered locally by Gloucestershire County Council. This was a funded defined benefit final salary scheme until 31 March 2014, and is a defined benefit career average scheme from 1 April 2014. The

Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-employment Benefits

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

Transactions Relating to Post-employment Benefits		
	Local Government Pension Scheme	
	2018/19 £000	**2019/20 £000**
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service cost	3,644	4,307
Past service costs (including curtailments)	146	381
Financing and Investment Income and Expenditure		
Net interest expense	1,043	1,231
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**4,833**	**5,919**
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets (excluding the amount included in the net interest expense)	-2,769	9,659
Actuarial gains and losses on changes in demographic assumptions	-	-4,888
Actuarial gains and losses arising on changes in financial assumptions	10,783	-11,930
Other experience	31	-6,724
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**12,878**	**-7,964**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	-8,795	12,028
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer contributions payable to the scheme *	**4,083**	**4,064**

* 2019/20 £4.064m includes £2.336m (2018/19 £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	2018/19 £000	2019/20 £000
Present value of the defined benefit obligation	-147,880	-129,210
Fair value of plan assets	99,041	90,063
Net liability arising from the defined benefit obligation	**-48,839**	**-39,146**

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

The present value of unfunded benefits is £845k (£967k 2018/19).

Reconciliation of the Movements in the Fair Value of Scheme Assets

Reconciliation of the Movements in the Fair Value of Scheme Assets	2018/19 £000	2019/20 £000
Opening fair value of scheme assets	95,064	99,041
Interest income	2,550	2,351
Remeasurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	2,769	-9,659
Contributions from employer	1,917	1,728
Lump sum prepayments	-	-
Contributions from employees into the scheme	606	617
Benefits paid	-3,865	-4,015
Closing fair value of scheme assets	**99,041**	**90,063**

The actual loss on scheme assets in the year was £6.725m (2018/19: gain £5.319m).

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

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2018/19 £000	2019/20 £000
Opening balance at 1 April	132,942	147,880
Current service cost	3,644	4,307
Interest cost	3,593	3,582
Contributions from scheme participants	606	617
Remeasurement (gains) and losses:		
Actuarial (gains) / losses arising from changes in demographic assumptions	-	-4,888
Actuarial (gains) / losses arising from changes in financial assumptions	10,783	-11,930
Other	31	-6,724
Past service cost - including curtailments	146	381
Benefits paid	-3,865	-4,015
Closing balance at 31 March	**147,880**	**129,210**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £129.210m 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 £39.147m. 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 2021 are £3.940m. 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 2021 are £59k.

Local Government Pension Scheme Assets Comprised

Local Government Pension Scheme Assets Comprised								
	31 March 2019				31 March 2020			
Asset Category	Quoted prices in active markets £000	Quoted prices in not active markets £000	Total £000	% of Total Assets	Quoted prices in active markets £000	Quoted prices in not active markets £000	Total £000	% of Total Assets
Equity Securities:								
Consumer	-	-	-	0%	-	-	-	0%
Manufacturing	-	-	-	0%	-	-	-	0%
Energy and Utilities	-	-	-	0%	-	-	-	0%
Financial Institutions	-	-	-	0%	-	-	-	0%
Health and Care	-	-	-	0%	-	-	-	0%
Information Technology	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
	-	-			-	-		
Debt Securities:	-	-			-	-		
Corporate bonds (investment grade)	10,131	-	10,131	10%	10,020	-	10,020	11%
Corporate bonds (non-investment grade)	422	-	422	0%	216	-	216	0%
UK Government	3,122	-	3,122	3%	1,654	-	1,654	2%
Other	-	-	-	0%	249	-	249	0%
Private Equity:								
All	-	219	219	0%	-	297	297	0%
Real Estate:								
UK Property	6,289	2,110	8,399	8%	5,003	1,599	6,602	7%
Overseas Property	-	613	613	1%	-	465	465	1%
Investment Funds and Unit Trusts:								
Equities	5,981	55,716	61,696	62%	-	57,280	57,280	64%
Bonds	7,926	-	7,926	8%	7,125	-	7,125	8%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	181	181	0%
Other	-	4,826	4,826	5%	-	5,028	5,028	6%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	(23)	-	(23)	0%	19	-	19	0%
Other	10	-	10	0%	9	-	9	0%
Cash and Cash Equivalents:								
All	1,825	-	1,825	2%	1,041	-	1,041	1%
Totals	**35,681**	**63,484**	**99,165**	**100%**	**25,336**	**64,851**	**90,187**	**100%**

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 2019. The principal assumptions used by the actuary have been:

Assumptions	2018/19	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.4	21.7
Women	24.6	23.9
Longevity at 65 for future pensioners:		
Men	24.0	22.4
Women	26.4	25.3
Rate of inflation	2.5%	1.9%
Rate of increase in salaries	2.8%	2.2%
Rate of increase in pensions	2.5%	1.9%
Discount rate	2.4%	2.3%

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 2020	Estimated % increase to Employer Liability	Estimated monetary amount £000
0.5% decrease in Real Discount Rate	9%	11,887
1-year increase in member life expectancy	3-5%	*
0.5% increase in the Salary Increase Rate	1%	1,086
0.5% increase in the Pension Increase Rate	8%	10,708

*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. The latest FSS is effective from 17th February 2020.

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 to ensure sufficient funds are available to pay members' benefits as they fall due. 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 next FSS review will be at the time of the next actuarial valuation in 2022.

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 are due to be completed on 31 March 2022.

Stroud District Council anticipates employer contributions of £3.940m to the scheme in 2020/21.

35. External Audit Costs

The authority has incurred the following costs in relation to the audit of the statement of accounts:

External Audit Costs	2018/19 £000	2019/20 £000
External audit services carried out by the appointed auditor for the year	40	40
Other services provided during the year by the appointed auditor	-	-
Total External Audit Costs	**40**	**40**

36. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20 and 2018/19:

Grant Income, Contributions and Donations

	2018/19 £000	2019/20 £000
Credited to Taxation & Non Specific Grant Income		
MHCLG - New Homes Bonus Scheme	2,174	1,726
MHCLG - New Burdens	12	8
Other Non Ringfenced Government Grants	87	82
Total Non Ringfenced Government Grants	**2,273**	**1,816**
Capital Grants & Contributions:-		
Better Care Fund	94	455
Homes England Grant		443
CCG Health Through Warmth	340	200
Warm Homes Fund	648	786
Heritage Lottery Fund		591
Other Capital Grants and Contributions	22	478
Total Capital Grants & Contributions	**1,105**	**2,953**
Credited to Services		
DWP Housing Benefit Grant	20,822	18,094
DWP Discretionary Housing Payments / In & Out of Work	117	74
DWP Housing Benefit Administration Grant	478	294
MHCLG Flexible Homelessness Support Grant	112	105
MHCLG Business Rate Collection	157	172
GCC Recycling Credits	1,068	1,016
Other Grants and Contributions	323	519
Total Grant and Contributions Credited to Services	**23,078**	**20,274**
Total Government Grants and Third Party Contributions	**26,455**	**25,043**

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

37. 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 36.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2019/20 and 2018/19 is shown in note 31. 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 2019/20, 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 2019/20 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.

38. Contingent Liabilities

The Council has no contingent liabilities as at 31 March 2020.

39. Contingent Assets

The Council has lodged a claim for overpaid postage VAT of up to £0.65m as at 31 March 2020.

40. Prior Period Adjustment

The Council has had assets incorrectly classified as Investment Properties for a number of years. The definition for Investment Properties states they are owned solely for rental income and capital appreciation, however each asset in the category is owned for policy objectives that are additional to any income or capital appreciation, hence the re-classification.

Also, Council dwellings have been restated to reflect the treatment of depreciation in the asset register.

These reclassifications have impacted Property Plant and Equipment on the Balance Sheet in 2018/19. This has the further effect of reducing the Surplus on Operations in the Comprehensive Income & Expenditure Statement by £240k and increasing Financing and Investment Income & Expenditure in that statement by the same amount, and so the Deficit on Provision of Services remains unchanged. There is no impact on the Movement in Reserves Statement or the Cash Flow Statement. Note 14 Property, Plant and Equipment is restated.

Effect on Balance Sheet 31 March 2019

	As presented previously	Correction required	As restated
	£000	£000	£000
Property plant and equipment	305,655	3,864	309,519
Investment Property	3,864	-3,864	-

Effect on CI&ES 2018/19

	As presented previously	Correction required	As restated
	£000	£000	£000
Housing Committee - Housing Revenue Account	-3,902	133	-3,769
Strategy & Resources Committee	2,174	107	2,281
Surplus (-) / Deficit on Operations	-1,728	240	-1,488
Financing & Investment Income & Expenditure	4,331	-240	4,091
Surplus (-) / Deficit on Provision of Services	4,344	-	4,344

Effect on Note 14 Property, Plant and Equipment 2018/19

	Council dwellings			Other land & buildings (incl. community and surplus assets)		
	As presented previously £000	Correction required £000	As restated £000	As presented previously £000	Correction required £000	As restated £000
Cost or valuation						
At 1 April 2018	382,782	-111,547	271,235	50,627	3,934	54,561
Additions	7,387	-	7,387			
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	-6,148	-	-6,148	131	-	131
Revaluation increases/decreases (-) recognised in the Surplus / Deficit on the Provision of Services	-2,667	-7,387	-10,054	381	-245	136
Derecognition - disposals	-1,342	-	-1,342	-1,703	-	-1,703
Derecognition - disposals recognised in revaluation reserve	-177	-	-177	-931	-	-931
Transfers	-658	-	-658	-798	175	-623
At 31 March 2019	**379,177**	**-118,934**	**260,243**	**47,707**	**3,864**	**51,571**
Accumulated Depreciation & Impairment						
At 1 April 2018	-111,547	111,547	-	-9,077	-	-9,077
Depreciation charge	-5,954	-	-5,954	-573	-	-573
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	-	-	-	-
At 31 March 2019	**-118,934**	118,934	**-**	**-10,380**	-	**-10,380**
Net Book Value						
At 31 March 2019	**260,243**	-	**260,243**	**37,327**	**3,864**	**41,191**
At 31 March 2018	271,235	-	271,235	41,550	3,934	45,484

Supplementary Financial Statements

Housing Revenue Account

The Housing Revenue Account (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

2018/19 £000		notes	2019/20 £000
	Income		
-21,107	Dwelling rents	*6*	-21,203
-256	Non-dwelling rents	*8*	-261
-1,199	Charges for services and facilities		-1,285
-170	Transfers from General Fund		-167
-246	Contribution towards expenditure		-347
-22,978	**Total income**		**-23,264**
	Expenditure		
4,072	Repairs and maintenance		4,239
5,336	Supervision and management		5,136
2,182	Special services		2,017
10,556	Depreciation, impairment and revaluation	*11*	5,947
99	Increased provision for bad or doubtful debt	*10*	149
22,245	**Total expenditure**		**17,489**
-733	**Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement**		**-5,775**
303	HRA share of corporate and democratic core		275
-430	**Net cost of HRA services**		**-5,500**
	HRA share of operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:		
-1,039	Gain (-) or loss on sale of HRA non-current assets	*13*	-1,376
3,419	Interest payable and similar charges		3,380
-94	HRA interest and investment income		-178
133	Income, expenditure and fair value of investment properties		-
271	Pensions interest cost and expected return on pensions assets		320
-	Capital grants and contributions receivable		-
2,260	**Surplus (-) / deficit for the year on HRA services**		**-3,355**

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

Movement on the Housing Revenue Account Statement

2018/19 £000		2019/20 £000
-3,003	**Balance on the HRA at 1 April**	**-3,386**
2,260	Surplus (-) / deficit for the year on the HRA Income and Expenditure Statement	-3,355
-4,161	Adjustments between accounting basis and funding basis under regulations	2,481
-1,901	Net increase (-) or decrease before transfers to or from reserves	-874
1,518	Transfers to or from reserves	-170
-383	**Increase (-) or decrease in year on HRA**	**-1,044**
-3,386	**Balance on the HRA at 31 March**	**-4,430**

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

2018/19 £000		2019/20 £000
-	Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statutory HRA requirements (if any)	2
-	Capital grants and contributions receivable	-
1,039	Gain or loss (-) on sale of HRA non-current assets	1,376
-784	HRA share of contributions to or from the Pensions Reserve	-365
319	Capital expenditure funded by the HRA	446
-133	Change in value of investment properties	-
-	Sums directed by the secretary of State to be debited or credited to the HRA that are not expenditure or income in accordance with the Code	-
5,954	Transfer to / from (-) Major Repairs Reserve	6,973
-10,556	Transfer to / from (-) the Capital Adjustment Account	-5,952
-4,161	**Net additional amount required to be credited (-) or debited to the HRA balance for the year**	**2,481**

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

Notes to the Housing Revenue Account (HRA)

1. Housing Stock

Movement in Housing Stock

2018/19							2019/20					
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**
1,272			-16		1,256	Bungalows	1,256			-10		1,246
1,506	-9		-18	6	1,485	Flats	1,485	-1		-4	12	1,492
2,239	-17		-2		2,220	Houses	2,220	-20		-		2,200
14					14	Maisonettes	14					14
40					40	Shared ownership	40	-1				39
5,071	**-26**	**-**	**-36**	**6**	**5,015**	**Total Housing Stock**	**5,015**	**-22**	**-**	**-14**	**12**	**4,991**

The Council was responsible for managing an average of 5,003 dwellings during the year. 22 dwellings were sold under the right-to-buy legislation, with no other dwelling sales, compared to a total of 26 sales in the previous year. There were 12 dwellings added through the conversion of ex-Sheltered Scheme Warden accommodation. Also, 14 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

Figures in £000s	**Restated Balance 1 April 19**	**Additions in year**	**Disposals**	**Revaluation**	**Depreciation and impairment**	**Transfers**	**Balance 31 March 20**
Operational assets							
Council dwellings	260,243	6,837	-1,305	5,574	-5,713	1,470	267,106
Community assets	23						23
Development sites	3,630	1,112				-1,470	3,272
Other land and buildings	4,121	220	-196	595		524	5,264
Non-operational assets							
Asset held for sale	149		-149	19		1	20
Total Net Fixed Assets	**268,166**	**8,169**	**-1,650**	**6,188**	**-5,713**	**525**	**275,685**

In 2019/20 the Council Dwelling stock was revalued and increased in value by £5.574m (revaluation increase of £6.548m, plus £5.713m depreciation reversal, less capital spend of £6.687m; decrease of £10.248m in 2018/19).

2. Vacant Possession Value of Dwellings

The open market vacant possession of dwellings including land within the HRA at 31 March 2020, at March 2020 prices, is £763m. The value of dwellings net of the social element factor (35%) is £267m. The difference of £496m between the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than open market rents.

3. Major Repairs Reserve (MRR)

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

Major Repairs Reserve		
2018/19 £000		2019/20 £000
-6,110	**Balance at 1 April**	-4,951
-5,954	Transferred in	-6,973
7,113	Financing of Capital expenditure	6,504
	Contribution towards repayment of debt	900
-4,951	**Balance at 31 March**	**-4,520**

4. Capital Expenditure

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

Spend 2018/19	Financing 2018/19: Capital receipts	Financing 2018/19: Capital grants	Financing 2018/19: Borrowing	Financing 2018/19: Revenue funding	Capital schemes *Figures in £000s*	Spend 2019/20	Financing 2019/20: Capital receipts	Financing 2019/20: Capital grants	Financing 2019/20: Borrowing	Financing 2019/20: Revenue funding
7,113	-	-	-	7,113	Major Works Programme	6,504	-	-	-	6,504
94	94	-	-	0	New Build and Development	1,219	1,219	-	-	-
1,385	1,066	-	-	319	Sheltered Housing Modernisation	446	-	-	-	446
8,592	**1,160**	**-**	**-**	**7,432**	**Total capital expenditure**	**8,169**	**1,219**	**-**	**-**	**6,950**

5. Capital Receipts

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

HRA in year Capital Receipts		
2018/19 £000		2019/20 £000
2,327	Council house sales	2,466
-34	*Less:* Cost of sales	-28
3,340	Other receipts	588
5,633	Total capital receipts	**3,026**
-461	*Less:* Pooled receipts paid to Government	-367
5,172	**Total usable capital receipts**	**2,659**

6. Rent Income

This is the total dwelling rent collectable for the year after allowance for empty property. At 31 March 2020 there were 93 vacant properties for rent representing 1.9% of the total (on 31 March 2019 the figures were 64 and 1.3%). The average weekly rent at 31 March 2020 was £81.03, a decrease of £0.80, or 1.0%, 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 £324k in respect of former tenants, has increased by £85k (13.0%). See also note 10.

Analysis of rent arrears

2018/19 £000		2019/20 £000
41	Court costs	38
303	Current rent arrears	375
308	Former tenant arrears	324
652	**Gross arrears at 31 March**	**737**

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 £0.665m at 31 March 2020 (£0.534m at 31 March 2019).

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 2019/20. 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 £5.713m (£5.954m in 2018/19).

The depreciation charge has been written back to the Net Cost of HRA Services, along with capital additions of £6,687k (£7.387k in 2018/19).

The debit of £5.947m to the HRA Income and Expenditure Statement includes upwards revaluations of properties of £7.162m, of which £6,423k was transferred to the revaluation reserve (downwards revaluations of £9.829m, of which £6,660 was transferred from the revaluation reserve in 2018/19), write back of capital additions for dwellings of £6.687m (£7.387m in 2018/19) and a net nil depreciation.

Depreciation, Impairment and Revaluation

2018/19 £000		2019/20 £000
9,829	Revaluation	-7,162
-6,660	Revaluation - revaluation reserve	6,423
3,169		**-739**
-5,954	Depreciation write-back	-5,713
7,387	Capital additions - write back	6,687
5,954	Depreciation	5,713
-	Derecognition	-
10,556	**Balance at 31 March**	**5,947**

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

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

Collection Fund

2018/19 Business rates £000	2018/19 Council tax £000	2018/19 Total £000	**Income**	*notes*	2019/20 Business rates £000	2019/20 Council tax £000	2019/20 Total £000
-	-76,623	-76,623	Council tax receivable	16	-	-81,907	-81,907
-28,357	-	-28,357	Net rates payable by ratepayers	18	-29,349		-29,349
			Expenditure				
			Apportionment of previous year surplus / deficit (-)				
48	-	48	Central Government		-118	-	-118
38	169	207	Stroud District Council		229	187	416
10	730	740	Gloucestershire County Council		300	836	1,136
-	133	133	Gloucestershire Police and Crime Commissioner		-	154	154
			Precepts / shares				
-	-	-	Central Government		14,089	-	14,089
13,849	8,774	22,623	Stroud District Council		11,271	9,189	20,460
13,849	53,650	67,499	Gloucestershire County Council		2,818	57,287	60,105
-	9,861	9,861	Gloucestershire Police and Crime Commissioner		-	11,092	11,092
-	3,636	3,636	Parish and Town Councils		-	3,918	3,918
			Charges to collection fund				
-99	-	-99	*Less:* Write-offs / Write-ons (-) of uncollectable amounts		584	-	584
-47	57	10	*Less:* Increase / decrease (-) in bad debt provision		262	80	342
110	-	110	*Less:* Increase / decrease (-) in provision for appeals		-741	-	-741
157	-	157	*Less:* Cost of collection		155	-	155
-	-	-	Interest		-	-	-
-155	-1	-156	*Less:* Transitional protection payments		-250	-1	-251
106	-	106	*Less:* Disregarded amounts		251	-	251
-491	**386**	**-105**	**Surplus (-) / deficit for the year**		**-499**	**836**	**337**
141	-1,157	-1,017	Balance at 1 April		-350	-771	-1,122
-350	**-771**	**-1,122**	**Balance at 31 March**		**-849**	**65**	**-785**

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 2019/20 was calculated as follows:

Council Tax Base			
Band	**Estimated number of properties after effect of discounts**	**Ratio**	**Band D equivalent dwellings**
DISR A	11.84	5/9	6.58
A	4,584.24	6/9	3,056.16
B	9,669.00	7/9	7,520.33
C	10,554.27	8/9	9,381.57
D	7,271.46	9/9	7,271.46
E	6,190.71	11/9	7,566.42
F	3,808.83	13/9	5,501.64
G	2,385.46	15/9	3,975.77
H	224.50	18/9	449.00
	44,700.31		44,728.93
Less: Adjustment for collection rate (1%)			-447.28
Council Tax Base			**44,281.65**

16. Council Tax Income

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

Income from Council Tax	2018/19	2019/20
Total council tax base *(see note 15)*	43,539.30	44,281.65
Multiplied by average band D tax rate *(see note 17)*	£1,743.72	£1,840.18
	£000	**£000**
Total property income	-75,920	-81,486
Add: Transitional relief	1	1
Add: Other adjustments	-704	-422
Income from Council Tax	**-76,623**	**-81,907**

17. Council Tax Rates

Council Tax Rates by Precepting Body and Band

	Band								
	disr A	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Precepting body	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
District council	115.29	138.35	161.40	184.46	207.52	253.64	299.75	345.87	415.04
County council	718.72	862.47	1,006.21	1,149.96	1,293.70	1,581.19	1,868.68	2,156.17	2,587.40
Police authority	139.16	166.99	194.83	222.66	250.49	306.15	361.82	417.48	500.98
Average parish	49.15	58.98	68.81	78.64	88.47	108.13	127.79	147.45	176.94
Total	1,022.32	1,226.79	1,431.25	1,635.72	**1,840.18**	2,249.11	2,658.04	3,066.97	3,680.36

(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 2019/20, Stroud's local share is 40% with the remainder due to Central Government (50%) and Gloucestershire County Council (10%).

The net business rates for 2019/20 were estimated before the start of the year at £28.2m (£11.271m to Stroud, £2.818m to County Council and £14.089m to Central Government). In addition, a share of the estimated collection fund surplus from 2019/20 of £0.411m 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 £0.229m.

The arrangements for 2018/19 differed 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 (£7.850 million in 2018/19). 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 £0.574m.

Net Rates Payable by Ratepayers	£000 2018/19	£000 2019/20
Gross rates payable by ratepayers	**36,488**	**38,104**
Less:		
Transitional relief	-156	-250
Mandatory reliefs	-6,421	-6,720
Unoccupied property relief	-1,108	-956
Discretionary reliefs (unfunded)	-212	-248
Discretionary reliefs (funded through s31 grant)	-234	-581
Hardship relief	-	-
Total cost of reliefs	**-8,131**	**-8,755**
Net Rates Payable by Ratepayers	**28,357**	**29,349**

The total non-domestic rating income in 2019/20 was £29.088m (£28.286m in 2018/19). For 2019/20, the total non-domestic rateable value at the year-end is £81.74m (£77.04m in 2018/19). The national multipliers for 2019/20 were 49.1p for qualifying Small Businesses, and the standard multiplier being 50.4p for all other businesses (48.0p and 49.3p respectively in 2018/19).

19. Business Rate Net Share

The income credited to the Comprehensive Income and Expenditure Statement for business rates is £4.829m (2018/19 £5.218m). This comprises as follows:

Net Share from Business Rates		£000 2018/19	£000 2019/20
SDC local share		13,849	11,271
Add:	Share actual prior year deficit (-) / surplus	56	-198
Less:	Share of estimated prior year surplus	38	229
Less:	Share of current year deficit (-) / surplus	198	334
		14,141	**11,636**
Less:	Tariff payment to Government	-10,186	-7,850
	Levy	-43	-1,424
Add:	Section 31 grant	1,774	1,675
	Renewable energy schemes	106	251
Net income from business rates		**5,792**	**4,288**
Add:	Gloucestershire BR pool surplus / deficit (-)	-	542
Less:	Contribution to BR Pilot	-574	-
Net income from business rates		**5,218**	**4,829**

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

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 2019/20 are as follows:

Share of Collection Fund	£000 Council tax	£000 Business rates
Stroud District Council	-10	334
Gloucestershire County Council	-47	61
Gloucestershire Police	-8	-
Central Government	-	455
Total surplus / deficit (-)	**-65**	**849**

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

21. Council tax and Business Rate Provision for Bad Debts

A Council Tax provision was made during 2019/20 amounting to £80k (2018/19 £57k). This was calculated using CIPFA Guidelines. The total amount of the provision at 31 March 2020 is £355k and represents 15% of the £2.365m debt outstanding (£342k, 17% and £1.961m at 31 March 2019).

Business Rate provision for bad debts was £391k and represents 71% of the £547k outstanding amount (£189k, 31% and £610k at 31 March 2019). There has been a significant increase in the provision coverage of debt outstanding, due to allowance for the estimated impact of Covid-19 on businesses.

Independent Auditor's Report

Keep clear for audit opinion

Keep clear for audit opinion

Keep clear for audit opinion

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 *revenue* or capital reserve.
Balances	The amount remaining at the end of the year after income and expenditure has occurred. May refer to the amount available to meet expenditure in future years.
Budget	A statement defining the Council’s policy over a specified period in terms of finance.
Business Rates Retention (BRR)	A change in the administration of business rates funding whereby a greater proportion of business rates income may be retained locally.
Capital Charges	Where a service owns a fixed asset to provide those services [operational assets] or holds an asset for future development or investment [non-operational assets] it bears a cost of its use. This represents depreciation (where appropriate). Maintenance of the asset is a *revenue* cost.
Capital Expenditure	Spending on assets that have a long-term use such as purchase or improvement of land, buildings and equipment. Where the asset is not owned by the Council that expenditure is *revenue expenditure funded by capital under statute.*
Capital Receipts	Income from the sale of capital assets such as land and council houses. Capital receipts can only be used (subject to certain legal exceptions) to finance new *capital expenditure*.
Change in Accounting Estimate	Is an adjustment of the carrying amount of an asset or a liability or the amount of the periodic consumption of an asset that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors.
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the professional body of accountants and auditors working in local government and public services. Membership of the Institute is by way of examination and entitles members to use the letters CPFA (Chartered Public Finance Accountant) after their names. The Institute provides financial and statistical information services and advises central government and other bodies on local government and public finance matters. It also publishes accounting requirements and accounting standards,

	including those relating to the production of statement of accounts.
Collection Fund	Stroud District Council collects council tax and business rates on behalf of a number of public bodies – Gloucestershire County Council, Gloucestershire Police and Crime Commissioner and town and parish councils. Also, the Council is lead authority of the Gloucestershire Business Rates Pool. The Collection Fund account is separate to the Council's normal funds, belonging collectively to these bodies.
Corporate and Democratic Core (CDC)	Comprises two divisions of service: democratic representation and management (DRM) and corporate management (CM). If anything does not fall within the definitions given for either DRM or CM, then it cannot be within CDC. DRM concerns corporate policy-making and all other member-based activities. CM concerns those activities and costs that relate to the general running of the Council. These provide the infrastructure that allows services to be provided, whether by the Council or not, and the information required for public accountability. Activities relating to the provision of services, even indirectly, are overheads on those services, not CM.
Curtailment	A curtailment for a defined benefit pension scheme is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of the defined benefit for some or all of their future service. Curtailments include: Termination of employees' services earlier than expected, for example as a result of discontinuing a segment of business. Termination or amendment of the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will only qualify for reduced benefits.
Depreciation	Charges reflecting the decline in the value (not cost) of assets as a result of their usage or ageing.
Estimate	Often used instead of the word *budget*; and is a forecast of income and expenditure for the year.
Forecast	An *estimate* of income and expenditure in a financial year.
Gloucestershire Business Rates Pool (GBRP)	Set up to maximise business rates income retained within the county. Currently, Gloucestershire County, Cheltenham Borough, Cotswold District, Forest of Dean District, Gloucester City and Stroud District councils.
General Fund	The account that records and finances Council *revenue* expenditure, other than *HRA*.
Housing Revenue Account (HRA)	A separate statutory account dealing with the *revenue* income and expenditure arising from the provision of Council-owned and managed dwellings.
IAS 19	International Accounting Standard 19 *Employee Benefits* is the accounting requirement as regards pensions that local authorities

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

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

Feedback form – your views

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

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

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

Financial Services, Stroud District Council, Ebley Mill, Ebley Wharf, Stroud GL5 4UB
Alternatively, comments can be made to:

Andrew Cummings, Strategic Director of Resources
Tel: 01453 754115. Fax 01453 754936. Email: finance@stroud.gov.uk

You can give your name and address if you wish.

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

Do you think it is informative? Yes ☐ No ☐

How could we improve the Statement of Accounts?

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

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

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

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Telephone...Email..

Thank you

Report to Audit and Governance Committee 17th November 2020 on actions taken in relation to key recommendations made in the audit report relating to the audit of Private Sector Housing Empty Homes

Lead Officer: Jon Beckett, Head of Health and Wellbeing

Presenting officer: Maria Hickman, Housing Renewal Manager

Summary of Audit Area

Stroud District Council's (the council) Private Sector Housing Renewal team works towards warm, safe, healthy homes for all homeowners and private tenants.

The team covers all housing which is not owned by the council, including leasehold properties, privately rented accommodation, housing association properties and those which are owner occupied. Most Stroud residents (90%) live in properties which are privately owned or privately rented.

Free advice is offered to home owners including those with empty properties for whom the team encourage, enable and assist owners by offering advice, signposting, and may also offer financial assistance in the form of a loan. If they continue to remain empty despite intervention from officers then there are enforcement powers that may be enacted.

In July 2019 there were 53,158 dwellings in the Stroud district (excluding those owned by the council) of these:

- 1040 (1.96% of total dwellings) are classed as empty;
- 416 properties (0.78% of total dwellings) have been empty for more than one year; and
- 29 (0.05% of total dwellings) have been empty for 10 years or more.

Summary Terms of Reference of the Audit

The objective of this review was to determine whether there are effective arrangements in place to identify empty properties and encourage owners to bring these properties back into use.

The specific objectives of the audit were to provide assurance on the following areas:

- The council has a policy and clear guidance to ensure that the expectations for good management of empty properties is clearly defined, and to ensure that owners are supported to bring their properties back into use;
- There are adequate systems and processes in place to enable the support of owners with empty homes, and these are operating effectively; and
- Accurate empty home data is obtained, managed and owners are corresponded with in line with the council's policy and Empty Property Procedure.

Risks
The council does not have clear guidelines and effective methods for the management of empty properties resulting in properties being left vacant for extended periods of time which could cause problems for the surrounding community, the empty properties becoming a wasted resource; give rise to complaints and reputational damage.

Key Findings

The Empty Property Procedure stipulates that once an empty home has been empty for 12 months the home owner will be corresponded with every six months (for up to three and half years) and encouraged to bring the empty property back into residential use. Audit testing identified that owners of properties that had been empty for longer than 18 months had not been written to since July 2018. Internal Audit was informed by the Housing Renewal Manager that this was due to staff shortages.

See: Recommendation One

The Empty Property Procedure currently requires that all empty properties are logged onto the Uniform computer system. As Internal Audit identified that 60% of empty properties are brought back into use within the first 12 months this requirement would appear counter intuitive as the Uniform computer system would have to be re-updated to reflect the properties that are no longer empty.

See: Recommendation Two

The Uniform computer system would be an efficient and reliable system for recording the support and guidance that owners of empty homes have received from the council, and this could then be used as evidence to meet the requirements of the Housing Act 2004 if Empty Dwelling Management Orders (EDMO) and Compulsory Purchase Orders (CPO) enforcement actions are taken. The Empty Property Procedure should be updated to reflect this new process.

See: Recommendation Three

Conclusion

There is an adequate framework in place to identify empty properties and encourage owners to bring these properties back into use. These arrangements are supported by a sound policy, and overall adequate systems and procedures, albeit a refresh of the Empty Property Procedure would be of benefit. This said there has been a significant lapse in the application of the procedures over several years impacting upon the proactive work that could be undertaken to encourage and support home owners to bring empty properties back into use and therefore the control environment is not operating as intended. Going forward, this is an area that requires focus to ensure adherence with council policy, and achievement of the council's corporate objective 'reduce the number of empty homes in all tenures'.

Action(s) taken to implement the recommendations as at 23rd October 2020 and / or proposed.

High priority recommendation 1: Arrangements to identify empty properties and encourage owners to bring these properties back into use	**Original management response**
To ensure that owners of empty properties are supported to bring their properties back into use, it is imperative that owners receive letters and factsheets every six months, in line with council policy and procedures.	The team structure has been reviewed and reorganised to enable recruitment to be undertaken for a private sector housing officer who will be dedicated to empty homes work for a significant part of their role. **Completion date:** 30/09/2020
Management update as at 23rd October 2020:	
Recruitment was delayed due to the COVID 19 outbreak but the new post holder started working for the Council on the 29th October.	

Medium priority recommendation 2: Arrangements to identify empty properties and encourage owners to bring these properties back into use	**Original management response**
The Empty Property Procedure is reviewed and refreshed as appropriate with regard to when properties should be entered onto the Uniform system. Any change in procedure must support the need for corporate priorities to be met, and the consideration of enforcement actions are transparent and support offered is fully documented.	Procedure will be clarified so that it is clear when empty properties identified through the Council Tax register are entered on the uniform system. **Completion date:** 31/05/2020
Management update as at 23rd October 2020:	
The Empty Homes Procedures have been updated.	

Medium priority recommendation 3: Arrangements to identify empty properties and encourage owners to bring these properties back into use	**Original management response**
Update the Uniform system to ensure that it evidences correspondence and support given to owners of empty properties that would meet the requirements of the Housing Act 2004 for EDMO and CPO enforcement actions. This must be in line with the revised Empty Property Procedure (as documented in Recommendation 2).	A more formal system of recording a review of property identified as long term empty to evidence that EDMO and CPO action has been considered and reasons not appropriate will be set up on the Uniform system once the staffing resources are in place. **Completion date:** 01/09/2020
Management update as at 23rd October 2020:	
A review form has been developed and added to the Empty Homes procedure and an annual review programme will be put in place when the new post holder starts work with the Council on the 29th October.	

STROUD DISTRICT COUNCIL

AGENDA ITEM NO

10a

AUDIT AND STANDARDS COMMITTEE

17 NOVEMBER 2020

WORK PROGRAMME

Proposed Meeting Date	Report Description	Responsible Officer / Member
26 January 2021	Standing Items a. To consider the work programme for 2020/21. b. To consider any Risk Management issues.	Members
	Internal Audit Activity Progress Report 2020/21	Chief Internal Auditor
	Annual Governance Statement 2019/20 – Improvement Plan	Chief Internal Auditor
	3rd Quarter Treasury Management Activity Report 2020/21	Principal Accountant
	Treasury Management Strategy 2021/22	Principal Accountant
27 April 2021	Standing Items a. To consider the work programme for 2020/21. b. To consider any Risk Management issues.	Members
	Internal Audit Activity Progress Report 2020/21	Chief Internal Auditor
	Internal Audit Plan 2021/22	Chief Internal Auditor
	Review of the Effectiveness of the Audit and Standards Committee	Chief Internal Auditor
	Annual Report of the Audit and Standards Committee	Chair