



Public Document Pack STROUD DISTRICT COUNCIL

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Monday, 20 September 2021

AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **TUESDAY, 28 SEPTEMBER 2021** in the Council Chamber, Ebley Mill, Ebley Wharf, Stroud at **7.00 pm**

Kathy O'Leary
Chief Executive

Please Note: The meeting is being held in the Council Chamber at Stroud District Council and will be streamed live on the Council's [YouTube Channel](#). A recording of the meeting will be published onto the [Council's website](#). 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.

Due to current Covid-19 regulations a maximum of 6 members of public will be permitted in the Council Chamber at any one time, if you would like to attend this meeting please contact democratic.services@stroud.gov.uk.

A G E N D A

1. **APOLOGIES**
To receive apologies of absence.
2. **DECLARATION OF INTERESTS**
To receive declarations of interest.
3. **MINUTES**
To approve the minutes of the meeting held on 13 July 2021 as a correct record.
4. **PUBLIC QUESTION TIME**
The Chair of the 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 23 September 2021

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. **COUNTER FRAUD UPDATE (Pages 3 - 6)**

To provide the Audit and Standards Committee with assurance over the counter fraud activities of the Council in relation to the work undertaken by the Counter Fraud Unit (CFU).

The report is presented to the Audit and Standards Committee detailing progress and results for consideration and comment as the body charged with governance in this area.

6. **ANNUAL AUDIT LETTER**

To note the Annual Audit Letter on the 2020/21 External Audit.

7. **STATEMENT OF ACCOUNTS 2021/22 (Pages 7 - 120)**

To approve the Statement of Accounts 2020/21 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 1 July 2021.

8. **1ST QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2021/22 (Pages 121 - 130)**

To provide an update on treasury management activity as at 30/06/2021.

9. **INTERNAL AUDIT PROGRESS REPORT 2021/22 (Pages 131 - 302)**

To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2021/22.

LOCAL GOVERNMENT ACT 2000 – EXCLUSION OF PRESS AND PUBLIC

The Appendices for this item contain exempt information by virtue of Paragraphs 3 of Part 1 of Schedule 12a of the Local Government Act 1972 and a resolution may be passed to exclude the public during consideration of this item.

10. **MEMBER QUESTIONS**

See Agenda Item 4 for deadlines for submission.

11. **STANDING ITEMS**

- (a) To consider the Work Programme for 2021/22 (Pages 303 - 304)
- (b) To consider any risk management issues

Members of Audit and Standards Committee

Councillor Nigel Studdert-Kennedy (Chair)

Councillor Paula Baker
Councillor Stephen Davies
Councillor Nick Hurst
Councillor Norman Kay

Councillor Martin Percy (Vice-Chair)

Councillor Keith Pearson
Councillor Ashley Smith
Councillor Rich Wilsher



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AUDIT AND STANDARDS COMMITTEE

13 July 2021

7.00 - 9.25 pm

Council Chamber

Minutes

Membership

Councillor Nigel Studdert-Kennedy (Chair) **Councillor Martin Pearcy (Vice-Chair)**

Councillor Paula Baker

Councillor Norman Kay

Councillor Stephen Davies

Councillor Rich Wilsher

Councillor Nick Hurst

Councillor Chris Brine

*

Councillor Keith Pearson

*

*= Absent

Officers in Attendance

Strategic Director of Resources

Senior Auditor

Information Governance Officer

Principal Auditor

Head of Audit Risk Assurance

Senior Democratic Services and Elections Officer

Principal Accountant

Democratic Services and Elections Officer

Accountancy Manager

Interim Monitoring Officer

AC.001

APOLOGIES

Apologies for absence were received from Councillors Pearson and Brine

AC.002

DECLARATIONS OF INTEREST

There were none.

AC.003

MINUTES

RESOLVED

That the Minutes of the meeting held on 27 April 2021 are approved as a correct record.

AC.004

PUBLIC QUESTION TIME

There were none.

Audit and Standards Committee
13 July 2021

Subject to approval at
next meeting

AC.005 **INFORMATION GOVERNANCE FRAMEWORK**

The Information Governance Officer introduced the report and advised that following a GDPR audit carried out in 2019 a dedicated information officer responsible for governance had been hired. The accountability framework from the Information Commissioner Office (ICO) had been used to help set out the approach for the Policies included in the Information Governance Framework. It was also advised that they were working to embed the knowledge and use of the framework across the council using a team of information champions.

Councillor Hurst asked a question about the on-sale value of this report and whether the information was sourced from other councils. It was confirmed that there were a number of different policies available online however, finding one policy that was fit for purpose at Stroud was difficult.

Councillor Baker asked if there were plans to include compensation for serious data breaches. The Information Governance Officer advised that they were looking to review the complaints policy again to ensure it was aligned with other Council policies. With regards to compensation the legal team would provide advice based on the specific case at the time. In response to a further question, it was advised that a Data Breach Policy was included in Appendix D and that full investigations were carried out with any data breach to ensure it could be used as a learning exercise. It was also confirmed that a register of data breaches was maintained and updated.

In response to questions from Councillor Davies it was confirmed that the wording regarding confidentiality for email signatures had been reviewed and IT had been asked to implement this. The Information Governance Officer also advised that there had been approximately 5 data breaches that year and that 3 of the breaches had related to human error with an officer selecting the wrong email address when sending an email. They had therefore been trialling new software which would help to reduce the risk of this by warning the user of irregularities.

Councillor Kay questioned whether the records management policy was fit for purpose as it left decisions as to when and what records needed to be retained down to service managers which could allow some services to destroy some documentation which could be needed in the future. The Information Governance Officer responded by stating each service area had its own retention schedule which were being reviewed. The ICO did not stipulate how long you need to keep every single document and therefore it is left up to councils to decide how long they need to retain information. They also advised that they could look into this further to see if they could find any further guidance to assist managers. The Monitoring Officer advised that this was an operational decision and therefore the Information Governance Officer may not be able to provide any further guidance. Councillor Kay requested for his concerns with regards to data retention and record management to be recorded.

Councillor Percy requested reassurance on the level of resources available to deliver not only the initial training but continued training. The Information Governance Officer assured Members that she had support from the Strategic Leadership Team (SLT) and the Leadership Management Team (LMT) and each service area would have their own information governance champion. They were working with One Legal for a training package for each champion and quarterly meetings would be held going

2021/22

forward to share information and ensure continuous learning. The staff hub would also be updated and any changes to policies could be reported through the intranet. All Officers were also asked to regularly undertake an online data protection course.

Councillor Hurst stated that Councillor Kay raised an interesting point regarding planning enforcement and the issues around data that is stored, in his opinion once a planning application had been implemented the data should always remain available. He also advised that it would be useful for Members to have further guidance on GDPR regulations and being a Councillor as it is sometimes hard to discern when someone is acting as a councillor.

Councillor Norman Kay expressed his unease with the proposals relating to record management keeping and advised that he did not feel he could support the recommendations because of this. The Monitoring Officer advised that if Members were uncertain regarding the Record Management Policy in Appendix B this could be removed from the suite of documents to allow officers more time to develop it.

Councillor Kay proposed that the record management policy be removed from the documents being adopted so it could be reviewed further. Members of the Committee were in agreement with this.

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

RESOLVED To adopt the Information Governance Framework with the exception of the Records Management Policy which would be reviewed further.

AC.006 ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2020/21

The Head of Audit Risk Assurance (ARA) introduced the report to the committee and advised that the work of the Internal Audit team had been in line with the requirements of the public sector internal auditing standards (PSIAS) and that despite the difficult and tumultuous year he was able to provide a satisfactory level of assurance.

Councillor Davies thanked Piyush for the report and referred to page 30 where he queried the global IT hardware shortage created by the pandemic and stated that we needed to be cautious of blaming Covid-19. He also asked for an update with regards the continual issues with procurement. The Strategic Director of Resources advised that there was a delay in the initial IT equipment arriving due to the shutdown of the manufacturing at the beginning of the last year. With regards to procurement it was confirmed that they were now relatively low risk issues, however they were now trying to ensure that they were moving towards 100% compliance. An action plan had been formed to build in improvements and later in the year a report would come back to Audit to confirm what actions had been taken.

In response to questions from Councillor Percy the Head of ARA confirmed that they would be reviewing the level of information provided in the summaries of the Audit reports. He also confirmed that the number of high priority recommendations detailed in Section (6e) was not dissimilar to other councils of a similar size and was what they would normally expect.

Councillor Wilsher asked whether there was a mechanism in place for ensuring the recommendations made were followed up. The Head of ARA stated that feedback from high risk recommendations is provided at Committee by way of follow up reports.

Councillor Hurst asked for clarification of the figures on page 85 of the report relating to attempted fraud to which Head of ARA clarified the figure was for the whole Council and not an individual sector.

Councillor Davies proposed and Councillor Baker seconded.

Councillor Davies asked the Committee to note that the ARA had been externally audited and had received a very high commendation referring to the quote on page 17.

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

- RESOLVED**
- a) **Assess, form the findings set out in this Internal Audit Annual Report, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively;**
 - b) **Note that the performance of Internal Audit meets the required standards; and**
 - c) **Note the council wide counter fraud activity during 2020/21 which includes the fraud reporting requirements as mandated by the Local Government Transparency Code 2015.**

AC.007 **ANNUAL GOVERNANCE STATEMENT 2020/21**

The Head of Audit Risk Assurance presented the statement and explained there was a requirement for an annual review of the effectiveness of internal control and they were required to produce an Annual Governance Statement to accompany the Statement of Accounts.

In the absence of any questions or comments, Councillor Davies proposed and Councillor Percy Seconded.

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

- RESOLVED**
- a) **To review and approve the Annual Governance Statement and the actions planned by the Council to further enhance good governance arrangements; and**
 - b) **Agree that an update on actions taken to address the governance issues identified will be provided to the February 2022 Audit and Standards Committee meeting.**

AC.008 **STATEMENT OF ACCOUNTS 2020/21**

The Principal Accountant presented the unaudited Statement of Accounts which had been signed off by the Section 151 Officer on the 1 July 2021. The audit of the accounts by Deloitte had begun on the 5 July 2021. The Principal Accountant brought

Audit and Standards Committee
13 July 2021

Subject to approval at
next meeting

2021/22

the Committees attention to the 4 main statements on page 150 (Para 3) and the Chief Financial Officer's Narrative Report in Appendix A and proceeded to highlight key figures throughout the appendix.

Councillor Davies asked whether the Council had been hugely adversely affected financially by Covid due to the support provided by Central Government. The Strategic Director of Resources confirmed that there had been an impact of approximately £4.1million and grant funding had been received of approximately £3.6million so the Council was in a relatively stable position however the impact on the medium term was still unknown.

Councillor Davies also asked for clarification on the collection fund smoothing, the Strategic Director of Resources advised that the government funding arrived in the last financial year however the collection fund balance won't unwind until the current financial year, so there is a mismatch.

Further questions were asked by Councillor Davies, Hurst and Percy, the following responses were provided by the Principal Accountant:

- The Council had not yet used any of the Brexit Reserve
- With regards the funds listed on page 210 at the end of March 2020 the Council had approx. £9million invested with a valuation on the 31 March 2021 of £8.7million a further £1million was invested during 2020/21 with a valuation of £9.867million at the end of March 2021. The latest valuation at the end of June 2021 was approximately £10.176million
- There are no available predictions yet with regards pension reserves for 2022.
- Last year they had been required to caveat all property valuations with a clause of material uncertainty they had therefore had almost all of the Council's properties revalued during 2020-21 to help provide more certainty.

Councillor Kay offered his thanks to the Finance Team for their care of the Councils resources and asked for this to be included in the decision. The Committee endorsed Councillor Kay's statement.

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

RESOLVED To approve the unaudited Statement of Accounts for the year ending 31 March 2021 and recognise the hard work of the Finance Team.

AC.009 EXTERNAL AUDIT PLAN

The Strategic Director of Resources gave apologies for Deloitte who were unable to attend the meeting and advised the Committee that he would ensure that any questions would be passed to Deloitte for response outside of the meeting.

Councillor Percy asked a question regarding changes to accounting standards and whether this might impact or delay the audit. The Strategic Director of Resources confirmed that they look at new accounting standards as soon as they are released and they don't anticipate any impact on the Audit.

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The Chair, Councillor Studdert-Kennedy, asked for confirmation on the timescales, the Strategic Director of Resources confirmed that he would contact Deloitte and circulate the response.

RESOLVED To note the update and draft planning report from External Auditors Deloitte.

AC.010 TREASURY MANAGEMENT

In presenting the above report, the Principal Accountant drew attention to several paragraphs and answered Members' questions which covered:-

- The Council was using reserves to internally borrow however this should not impinge on any other activity.
- The Property and Multi Asset funds are investments intended for the medium to long term, the treasury strategy sets limits for investments that can be more than 365 days.
- The strategy which was approved in February 2020 and 2021 includes provision for internal borrowing for the next 4-5 years but this would be revisited each year by the Committee.

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

RESOLVED To approve treasury management activity annual report in 2020/21 and the actual Prudential Indicators

AC.011 PLANNING REVIEW

The Chair, Councillor Studdert-Kennedy, offered his thanks to the internal audit team who had put together the report. The Head of ARA introduced the report and advised that following the April Committee the Internal Audit Team was requested to undertake a review of planning enforcement. The Draft Terms of Reference had been prepared following in depth consultation with both Officers and Members, they needed to ensure that everyone who wanted to provide comments could do so. The focus of the Audit would be to look at the development of policy and procedure, Member oversight of the service and a review of the operational activities and processes.

Councillor Davies wanted to ensure that it was made explicit that the audit would include working with and consulting with Parish Councils to understand their view of our planning activity. Councillor Davies wanted the scope of the Audit to cover the performance of the Council in responding to Parish Councils. The Head of ARA confirmed that Parish Councils were consulted in the drafting of the terms of reference. It was also confirmed that the planning applications audit would report on the performance of the planning department in relation to its correspondence with Parish Councils. In terms of the planning enforcement audit they would look at the effectiveness of communications with regards to tracking important complaints and keeping interested parties informed. The Strategic Director of Resources confirmed that the communication issues Cllr Davies has referred to with Parish Councils would be looked at with regards the Audit and data would be provided as part of the Audit results. The Chair proposed that 'in particular with Parish Councils' was added to the penultimate bullet point in Para B in the terms of reference after 'Communication

2021/22

processes'. This amendment was seconded by Councillor Davies and endorsed by the Committee.

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

RESOLVED To note the verbal update and consider the draft terms of reference as amended in Appendix A.

a) To consider the Work Programme for 2021/22

There were no questions or comments raised.

b) To consider any risk management issues

The Strategic Director of Resources confirmed that they had asked ARA to review the risk management arrangements of the Council and work with the Committee about how they wish to be updated with this information. The Committee would be able to consider the recommendations from ARA at a future Committee.

AC.012 MEMBERS' QUESTIONS

There were none.

The meeting closed at 9.25 pm

Chair

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STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

28 SEPTEMBER 2021

Report Title	COUNTER FRAUD UNIT REPORT			
Purpose of Report	<p>To provide the Audit and Standards Committee with assurance over the counter fraud activities of the Council in relation to the work undertaken by the Counter Fraud Unit (CFU).</p> <p>The report is presented to the Audit and Standards Committee detailing progress and results for consideration and comment as the body charged with governance in this area.</p>			
Decision(s)	The Committee RESOLVES to note the CFU updates.			
Consultation and Feedback	Work provision for 2021/2022 was agreed with the Strategic Director of Resources.			
Report Author	Emma Cathcart, Counter Fraud Unit Manager Tel: 01285 623356 Email: Emma.Cathcart@cotswold.gov.uk			
Options	None. The CFU is a specialist criminal enforcement service working with the Gloucestershire Local Authorities, West Oxfordshire District Council and a number of other public sector bodies such as social housing providers.			
Background Papers	None			
Appendices	None.			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	Yes	Yes	No

1. INTRODUCTION / BACKGROUND

- 1.1. The Audit and Standards Committee oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to counter fraud activity.
- 1.2. A summary of the work undertaken during 2021/2022 is presented to the Audit and Standards Committee detailing progress and results for consideration and comment as the body charged with governance in this area. Work plans are agreed with senior management.
- 1.3. The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds. The Counter Fraud Unit provides assurance in this area. Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption. If the Council does not have effective counter fraud and corruption controls, it risks both assets and reputation.

Agenda Item 5

2. MAIN POINTS

2.1. Counter Fraud Unit Update

- 2.2. As a dedicated investigatory support service, the CFU undertakes a wide range of enforcement and investigation work according to the requirements of each Council. This includes criminal investigation and prosecution support for enforcement teams, investigations into staff/member fraud and corruption, or tenancy and housing fraud investigation work.
- 2.3. The CFU has been tasked with undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support), working closely with the Department for Work and Pensions in relation to Housing Benefit investigations.
- 2.4. Since 1 April 2021, the team have received 4 referrals and closed 3 cases. This resulted in the following:
- 2 successful prosecutions:
 - Case 1 – the defendant pleaded guilty and received a 12-month Community Order and is required to undertake 200 hours unpaid work. In addition, £85 costs were awarded. The increased Council Tax revenue or fraudulently claimed Council Tax Support totalled £2,239.
 - Case 2 – the defendant pleaded guilty and received a £660 Fine. In addition, £507 costs were awarded. The increased Council Tax revenue or fraudulently claimed Council Tax Support totalled £584. The defendant had been offered a Criminal Penalty as an alternative to prosecution but failed to cooperate.
 - The application of 1 Civil Penalty £50.
 - The team have processed 14 enquiries for DWP and referred 1 case.
- 2.5. All Local Authorities participate in the Cabinet Office's National Fraud Initiative, which is a data matching exercise to help prevent and detect fraud nationwide. The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under Data Protection Legislation.
- 2.6. The CFU are assisting the Revenues and Benefits Department with the review of National Fraud Initiative (NFI) matches. The team have reviewed 441 matches relating to single person discount anomalies. 181 accounts have been identified as requiring further enquiries with the liable parties. Where responses have been received 48 accounts have been referred to the Revenues Department requiring action. A number of enquiries remain outstanding or are pending a response. Increased revenue figures and penalty details will be provided within the next CFU update report.
- 2.7. The CFU continues to support the Council in tackling tenancy fraud. The overall remit of the CFU is to prevent, detect and deter abuse of public funds and social housing. Housing and tenancy fraud remains as one of the top four areas of fraud and abuse within the public sector. This takes many forms but the two most significant areas are Right to Buy and Illegal Subletting. The CFU will continue to work with the Council to tackle this effectively.
- 2.8. The Counter Fraud Officers are authorised under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014. This means they are authorised to obtain information relating to an individual from organisations such as

financial institutions (banks, credit card companies), utility companies, communications providers and so on. The Act also created new offences in relation to housing fraud that can be prosecuted by Local Authorities acting on behalf of Social Landlords.

- 2.9. Since 1 April 2021, the team have received 1 new case and closed 4 cases. One property has been recovered representing £93,000 in loss avoidance. As a rough guide, the Cabinet Office estimated the following savings to Social Housing Providers:
- Tenancy Fraud - £93,000 per property recovered based on average four year fraudulent tenancy – this includes temporary accommodation for genuine applicants, legal costs to recover the property, re-let cost and rent foregone during the void period between tenancies.
 - Right to Buy - £65,000 per application withdrawn based on average house prices and minimum right to buy discount.
 - Housing Waiting List Misrepresentation - £10,000 per applicant removed based on 1 year local temporary accommodation cost for genuine applicants. The National Fraud Initiative apply a more conservative estimate of £3,240 per case for future losses prevented as a result of removing an applicant from council housing waiting list.
- 2.10. The CFU undertakes Member Code of Conduct Investigations on behalf of the partnership and 1 case has been referred to the team relating to a Parish Council matter.
- 2.11. **Regulation of Investigatory Powers Act (RIPA) 2000 and Investigatory Powers Act (IPA) 2016.**
- 2.12. Training sessions will be arranged with staff following the adoption of the Policies at Audit and Standards Committee in April 2021. In addition, a further Policy relating to the use of the internet and social media in investigations and enforcement has been finalised and will be presented to Corporate Management for consideration in due course.

3. CONCLUSION

- 3.1 The Council were fully supportive of the original Counter Fraud Unit project and funding bid and the CFU is now delivering financial results in this area.

4. IMPLICATIONS

4.1 Financial Implications

- 4.1.1 The report details financial savings generated by the Counter Fraud Unit.

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

4.2 Legal Implications

- 4.2.1 There are no legal implications arising from the report and its recommendation.

One Legal
Email: legalservices@onelegal.org.uk

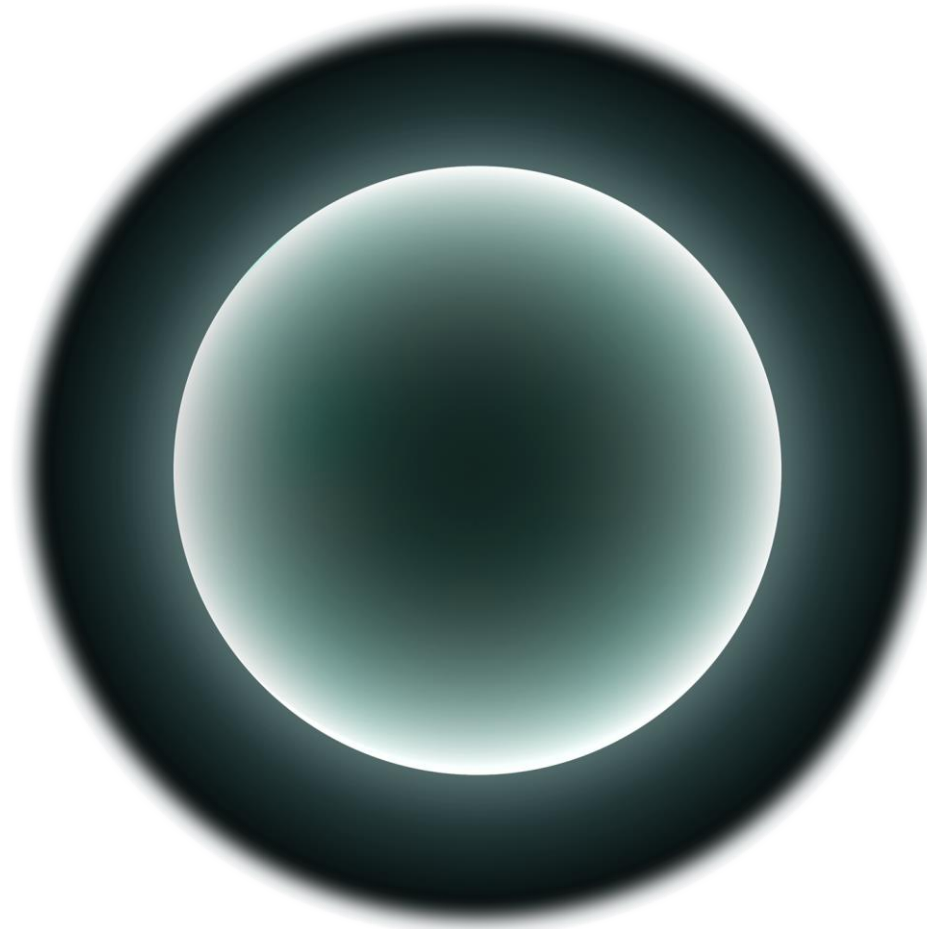
Agenda Item 5

4.3 Equality Implications

- 4.3.1 The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.

4.4 Environmental Implications

- 4.4.1 There are no significant implications within this category.



Stroud District Council

Report to the Audit & Standards Committee on the 2020/21 audit

Issued on 17 September 2021 for the meeting on 28 September 2021

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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 report to the Audit & Standards Committee of Stroud District Council (the Council) for the 2020/21 audit. The scope of our audit was set out within our planning report presented to the Committee in June 2021.

Status of our Statement of Accounts audit

Our audit is substantially complete subject to completion of the following principal matters:

- receipt of IAS19 letters from the Gloucestershire County Council Pension Fund auditors and completion of audit procedures once received;
- completion of work on Property Valuations and finalisation of correspondence with the Council's external valuers;
- completion of work on Covid-19 grants and fees and charges income;
- completion of work on disclosures;
- receipt of final financial statements;
- completion of internal quality assurance procedures;
- receipt of signed management representation letter; and
- our review of events since 31 March 2021 through to signing.

We will provide an oral update at the meeting.

Status of our Value for Money audit

Our Value for Money work is on-going, and will be reported before 30 November 2021 in our Auditor's Annual Report, which is within the three month timeframe allowed under the National Audit Office Auditor Guidance Note 3.

We have not identified any risks of significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources.

We have no matters to report by exception in our financial statement audit opinion.

Our opinion will state that work is on-going.

Conclusions from our testing

- The key judgements in the audit process related to:
 - accounting for pension liabilities;
 - valuation of property assets; and
 - Classification of agent and principal relationship for Covid-19 grant funding

The above work is still in progress and we will conclude on these items.

Introduction

The key messages in this report (continued)

Conclusions from our testing (continued)

- We have not identified any significant audit adjustments or disclosure deficiencies at the time of this report. However, items may be identified on completion of the outstanding items.
- Based on the current status of our audit work, we envisage issuing an 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.

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 complies with the Delivering Good Governance guidance issued by CIPFA/SOLACE.
- We have raised minor comments on the Narrative Report and Annual Governance Statement and are waiting on receipt of the final version.

Duties as public auditor

- We did not receive any queries or objections from local electors this year.
- The publication of the Statement of Accounts for inspection is a legal requirement.
- 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.

Whole of Government Accounts

- The Council is not a sampled component for WGA reporting.
- We are required to report our overall audit opinion and key issues from our audit to the National Audit Office following completion of the audit.

Acknowledgement

- We would like to take this opportunity to thank management and the team for their assistance and hard work throughout during the audit.

Responsibilities of the Audit & Standards Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit & Standards Committee?

To communicate audit scope

To provide timely and relevant observations

To provide additional information to help you fulfil your broader responsibilities

We use this symbol to highlight areas of our audit where the Audit & Standards Committee needs to focus attention.

As a result of regulatory change in recent years, the role of the Audit & Standards Committee has significantly expanded. We set out here a summary of the core areas of Audit & Standards Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit & Standards Committee in fulfilling its remit.

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.
- Make recommendations as to the auditor appointment and implement a policy on the engagement of the external auditor to supply non-audit services.

Oversight of external audit

Integrity of reporting

Internal controls and risks

- Review the internal control and risk management systems.
- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

Oversight of internal audit

Whistle-blowing and fraud

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.








- Impact assessment of key judgements and level of management challenge.
- Review of external audit findings, key judgements, level of misstatements.
- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.
- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, provide advice in respect of the fair, balanced and understandable statement.

- Monitor and review the effectiveness of the internal audit activities.

Quality indicators

Impact on the execution of our audit

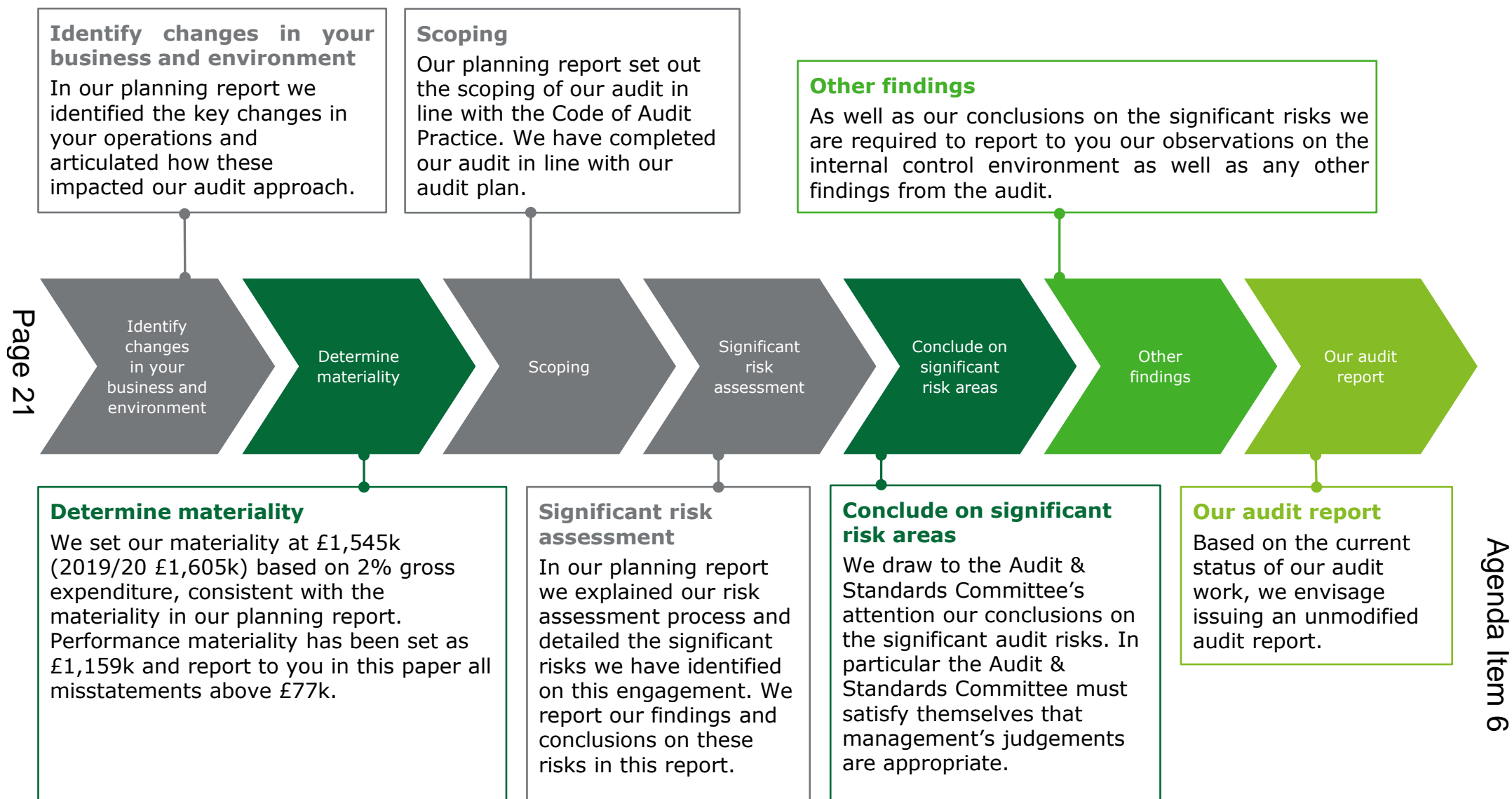
Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements		Accounting judgements (e.g. property revaluations, pension assumptions and Covid-19 grant treatments) were communicated to the audit team promptly.	Page 4
Adherence to deliverables timetable		There were delays to some deliverables including delays to the returning of audit evidence for samples. This was primarily due to capacity and the increased volume of queries as a result of changes in audit approach to respond to the Covid-19 pandemic.	-
Access to finance team and other key personnel		The finance team made every effort to make themselves available throughout the audit.	-
Quality and timing of Audit & Standards Committee papers		No issues identified.	-
Quality of draft financial statements		The draft financial statements included areas that required clarification additional narrative and other minor amendments.	-
Response to control deficiencies identified		Control deficiencies have been discussed with management and accepted where no mitigating controls exist.	Page 17
Volume and magnitude of identified errors		Low volume and magnitude of identified errors.	Page 24

 Lagging  Developing  Mature

Our audit explained

We tailor our audit to your business and your strategy



Significant Risks and Areas of Audit Focus

Dashboard

Risk	Material	Fraud risk	Approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Significant risks							
Completeness of Creditors				Satisfactory		Satisfactory	9
Management override of controls				Satisfactory		Satisfactory	10
Area of Audit Focus							
Pension liability valuation				Satisfactory		Satisfactory	12
Property Valuations				Satisfactory		Satisfactory	13
Covid-19 grants				Satisfactory		Satisfactory	14



Inconsistent



Minor differences



Consistent



Controls approach adopted

Assess design & implementation

Significant risks

Completeness of Creditors

Risk identified

Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of creditors.

For 2020/21, the Council approved a balanced budget. Given the pressures across the whole of the public sector, there is an inherent risk that the year-end position could be manipulated by omitting or misstating accruals.

Deloitte response and challenge

We have completed the following procedures:

- Assessed the design and implementation of the controls in relation to recording completeness of creditors;
 - Performed focused testing in relation to the completeness of creditors by completing unrecorded liabilities testing; and
 - Reviewed the year on year movement in accruals and investigated any significant movements.
-

Conclusion

Our internal quality assurance procedures are ongoing in this regard at the time of the report. To date we have no matters to bring to the attention of the Audit & Standards Committee. We will provide a verbal update to the committee on the completion of these procedures.

Significant audit risks (continued)

Management override of controls

Risk identified	<p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although management is responsible for safeguarding the assets of the Council, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Statement of Accounts.</p>
------------------------	--

Deloitte response and challenge	<p>We have considered the overall sensitivity of judgements made in preparation of the Statement of Accounts, and note that:</p> <ul style="list-style-type: none">• The Council's results throughout the year were projecting overspends in operational areas, with a year-end position of £4,050k net expenditure. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and• Senior management's remuneration is not tied to particular financial results. <p>We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.</p>
--	--

Journals

- We have tested the design and implementation of controls in relation to journals.
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We have used data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.

Significant transactions

- We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Significant audit risks (continued)

Management override of controls

Deloitte response and challenge	Accounting estimates <ul style="list-style-type: none">• We have performed design and implementation testing of the controls over key accounting estimates and judgements.• We reviewed accounting estimates for biases that could result in material misstatements due to fraud.• We reviewed the accuracy of prior year estimates.• We assessed the design and implementation of controls relating to significant management estimates, in accordance with ISA540.
Conclusion	Our internal quality assurance procedures are ongoing in this regard at the time of the report. To date we have no matters to bring to the attention of the Audit & Standards Committee. We will provide a verbal update to the committee on the completion of these procedures.

Other areas of audit focus

Pension liability valuation

Risk identified

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Gloucestershire County Council Pension Fund, which is part of the Local Government Pension Scheme.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's Balance Sheet. Per the draft financial statements at 31 March 2021, this totalled £51.2m, an increase from £39.1m in 2019/20. As a result of this being an estimated balance there is a risk that inappropriate inputs and assumptions are used, which could result in the pension liability valuation being materially misstated.

Deloitte response and challenge

We are completing the following procedures:

- We obtained a copy of the actuarial report for the Council produced by Hyman Robertson, the scheme actuary, and agreed the report to the Statement of Accounts pension disclosures.
- We reviewed the disclosures made in the Statement of Accounts against the requirements of the Code.
- We are liaising with the audit team of Gloucestershire County Council Pension Fund, Grant Thornton, to obtain assurances over the information supplied to the actuary in relation to the Council.
- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.
- We reviewed and challenged the assumptions made by Hyman Robertson, including benchmarking as shown in the table on the following page.
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements.
- As this has been identified as a significant estimate under ISA540, we are assessing the design and implementation of controls around the pension liability valuation.

Conclusion

At the time of the report, we have identified that no adjustment has been made by the actuary in relation to the Goodwin judgement, resulting in a judgemental misstatement in the region of 0.1% to 0.25% of the Council's defined benefit obligation. This is discussed further on page 24.









In addition, we are awaiting receipt of information from Gloucestershire County Council Pension Fund auditors. We will provide a verbal update on progress to the committee.

Other areas of audit focus (continued)




Pension Liability Valuation

Review of assumptions used by actuary

As part of our testing, we reviewed the assumptions used by the actuary and have set out below our assessment of the assumptions used in the IAS19 valuation.

Assumption	Council	Benchmark	Deloitte Assessment
Discount rate (% p.a.)	2.00%	1.95% - 2.15%	
Retail Price Index (RPI) Inflation rate (% p.a.)	3.30%	3.60% - 3.15%	
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.85%	Determined reasonable for the rates used.	
Salary increase (% p.a.) (over CPI inflation)	0.30%	In line with that used in the most recent funding valuation.	
Pension increase in payment (% p.a.)	2.85%	In line with CPI assumption	
Pension increase in deferment (% p.a.)	2.85%	In line with CPI assumption	
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 65)	21.90	Within Threshold – close to Prudent Range	
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 45)	22.90	Within Threshold – close to Prudent Range	

Assessment key

-  In reasonable range
-  Towards limit of reasonable range
-  Optimistic or Prudent

Other areas of audit focus

Valuation of property assets

Risk identified	<p>The Council is required to hold property assets within Property, Plant and Equipment at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.</p> <p>The Council held £330.4m of property assets at 31 March 2021, an increase of £13.0m when compared to 31 March 2020. The Council updates the valuation of its properties using a rolling revaluation programme. In 2020/21, it engaged valuers to carry out a full revaluation on the majority of its property portfolio, using a mix of internal and external reviewers.</p> <p>In 2019/20, the revaluation reports of externally revalued assets included a material uncertainty paragraph regarding the potential impact of Covid-19 on asset valuations. Due to updated RICS guidance, this does not apply to the revaluation reports received in 2020/21 and therefore we do not expect to make reference to this in our opinion as an Emphasis of Matter.</p> <p>A revision of ISA540 was undertaken and came into effect for 31 March 2021 year ends for local authorities, impacting our work on property valuations.</p>
Deloitte response and challenge	<p>We have completed the following procedures:</p> <ul style="list-style-type: none"> • We have considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • We have engaged our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions and inputs used in the valuation of the Council's property assets, in line with the requirements of ISA540; • As this has been identified as a significant estimate under ISA540, we assessed the design and implementation of controls around the pension liability valuation; • We have reviewed the presentation of revaluation movements, and the disclosures included in the Statement of Accounts; and • We have challenged management's assessment of whether any impairment arises in respect of newly capitalised expenditure.
Conclusion	<p>At the time of the report, we have no matters to bring to the attention of the Audit & Standards Committee. However, work by our DRE specialist is still in progress due to ongoing communication with the Council's valuation experts.</p>

Other areas of audit focus

Covid-19 Grants

Risk identified

During 2020/21, the Council has received additional funding in relation to Covid-19 grants of £47.4m. In addition, there are a number of business support schemes designed to help eligible businesses during the Covid-19 pandemic that are being administered by Councils on behalf of Central Government, the total value of this funding treated as an agency relationship was £34.4m.

We have pinpointed an area of audit focus to the completeness and accuracy of the funding recognised in the Council's financial statements and the completeness and accuracy of the agency arrangement disclosures, where the Council has acted as an agent on behalf of Central Government in administering Covid-19 grants.

The key judgements for management are assessing:

- Any conditions associated with the Covid-19 grants; and
- Whether the Council is acting as a principal or agent in administering the Covid-19 schemes, and how this is subsequently recognised in both the Comprehensive Income and Expenditure Statement and the Balance Sheet.

Deloitte response and challenge

We are in the process of completing the following procedures:

- Assessing the design and implementation of the controls in relation to the accounting treatment of all Covid-19 related funding;
- We reviewed management's working paper on the accounting treatment of each significant grant claim and challenged the appropriateness of the approach adopted.
- Testing a sample of funding for Covid-19 grants and confirming these have been recognised in accordance with any conditions applicable, including appropriate recognition in both the Comprehensive Income and Expenditure Statement and the Balance Sheet;
- Considered the adequacy of disclosures in the financial statements, including accounting policies and where relevant critical accounting judgement and key sources of estimation uncertainty disclosures;
- Testing the agency arrangement disclosures to confirm, where it is concluded that the Council is acting as an agent, that:
 - Transactions have been excluded from the Comprehensive Income and Expenditure Statement;
 - The Balance Sheet reflects the debtor or creditor position at 31 March 2021 in respect of cash collected or expenditure incurred on behalf of the principal; and
 - The net cash position at 31 March 2021 is included in the financing activities in the Cash Flow Statement.

Conclusion

At the time of the report, our work in this is ongoing in this area. We will provide a verbal update to the committee on progress.

Value for money

Our work is on-going and will be reported in our Auditor's Annual Report

Value for Money requirements

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03 ('AGN03'), we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

Status of our work

Our Value for Money work is on-going, and will be reported before 30 November 2021 in our Auditor's Annual Report, which is within the three month timeframe allowed under the National Audit Office Auditor Guidance Note 3.

We have not identified any risks of significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources.

We have no matters to report by exception in our financial statement audit opinion.

Our opinion will state that work is on-going.

Value for money

Our work is on-going and will be reported in our Auditor's Annual Report

Work performed to obtain an understanding of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources

As part of our risk assessment, we have reviewed the summary of Value for Money arrangements prepared by the Council, reviewed supporting documentation on arrangements, and held follow-up interviews on areas where additional information was required.

In addition, we have:

- reviewed of the Council's draft Annual Governance Statement;
- reviewed internal audit reports through the year and the Head of Internal Audit Opinion
- considered issues identified through our other audit and assurance work; and
- considered the Council's financial performance and management throughout 2020/21.

Findings of our work


We have not identified any risks of significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources.

We have no matters to report by exception in our financial statement audit opinion.

Our opinion will state that work is on-going.

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Year first communicated, severity	Deloitte recommendation	Management response and remediation plan
The fixed asset register (FAR) is complex and does not include all relevant PPE movements	2019/20 	<p>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.</p> <p>2020/21 Update: We note that improvements have been made in relation to the FAR during the year. However, there remains differences between the FAR and the statutory accounts for the cost and accumulated depreciation of Other Land and Buildings. The net book value (NBV) reconciles. We recommend that this is investigated and resolved.</p>	We would aim to investigate and resolve for the 2021-22 Statement of Accounts the technical imbalance between cost and accumulated depreciation which will have a net £nil impact on the net book value of the Council's non-current asset values.

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.

Other matters relevant to financial reporting:

There are no other matters required to be raised.

Significant matters discussed with management:

There have been no significant matters arising from the audit.

Liaison with internal audit:

The audit team has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings.

We will obtain written representations from the Accounting Officer and board of directors on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.

Our audit report

The form and content of our report

Here we discuss how the results of the audit impact on our audit report. An overview of our financial statement audit work will be included in our Auditor's Annual Report.



Our opinion on the financial statements

Our opinion on the financial statements is unmodified.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it 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.

In 2019/20, the revaluation reports of externally revalued assets included a material uncertainty paragraph regarding the potential impact of Covid-19 on asset valuations. Due to updated RICS guidance for 2020/21, we do not expect to make reference to this in our opinion as an Emphasis of Matter.



Value for Money reporting by exception

Our opinion will note that our Value for Money work is ongoing and will be reported in our Auditor's Annual Report.

We have no matters to report by exception in our financial statement audit opinion.



Irregularities and fraud

We will explain the extent to which we considered the audit to be capable of detecting irregularities, including fraud.

In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations. We will discuss the areas identified where fraud may occur and any identified key audit matters relating to fraud.

Recent changes to ISAs (UK) mean this requirement will apply to **all** entities for periods commencing on or after 15 December 2019

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	<p>The Narrative Report is expected to address (as relevant to the Council):</p> <ul style="list-style-type: none"> • Organisational overview and external environment; • Governance; • Operational Model; • Risks and opportunities; • Strategy and resource allocation; • Performance; • Outlook; and • Basis of preparation 	<p>We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance.</p> <p>We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit. Our work to date does not indicate that the narrative report is otherwise misleading. This will be confirmed upon receipt of the final version.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>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. No issues were noted in the draft from our review, however it is still to be formally approved by the Audit & Standards Committee and will be confirmed upon receipt of the final version.</p>

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 & Standards Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 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.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

Use of this report

This report has been prepared for 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.

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 Audit & Standards Committee.

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.

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

Michelle Hopton

For and on behalf of **Deloitte LLP**

Bristol | 17 September 2021

Appendices

Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). Uncorrected misstatements increase the CIES by £0.1 to £0.3 million, with corresponding decrease in net assets and increase the General Fund balance.

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year retained earnings £m	Debit/ (credit) OCI/Equity £m	If applicable, control deficiency identified
Misstatements identified in current year						
Impact of Goodwin liability not accounted for in the financial statements in 2020/21	[1]	0.3	(0.3)	-	-	Page 14
Total				-	-	
Misstatements identified in previous year						
No consideration of the Goodwin judgement in pensions assumptions in 2019/20	[1]	0.3	(0.3)	-	-	

[1] The impact of the Goodwin liability should be recognised in 2020/21 as a past service cost in the income statement. A projected impact range of 0.1% to 0.25% of the Council's defined benefit obligation has been calculated by Deloitte Pension specialists, for a typical LGPS employer. This would indicate that the total Goodwin impact would be between c. £130k and c.£320k

Disclosure Deficiencies

To date no disclosure deficiencies have been noted as part of our work.

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 the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and our objectivity is not compromised.
Fees	Details of proposed fees for audit and non-audit services performed for the period have been presented separately on the following page
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the company'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 have no other relationships with the Trust, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

As part of our obligations under International Standards on Auditing (UK) and the FRC's Ethical Standard we are required to report to you on all relationships (including the provision of non-audit services) between us and the audited entity, there are no such relationships to bring to the attention of the Audit & Standards Committee.

Independence and fees (continued)

Appendix B

The professional fees expected to be charged by Deloitte for the period from 1 April 2020 to 31 March 2021 are as follows:

	2020/21 Audit £	2019/20 Audit £
Stroud District Council Financial Statements		
Original scale fee	40,021	40,021
Change to scale fee to reflect increased audit costs and nature of the council*	4,795	-
Value for Money	15,000	-
Scope changes and overruns – to be agreed and approved by PSAA	TBC**	28,000
Total fees	59,816	68,021

*A number of factors have contributed to an increase in audit costs since the contract was tendered in 2017. We are now required to use specialists to a far greater degree to support our audit work and in particular where specialist input relates to a significant audit or management estimate or judgement.

**During the course of the audit we have incurred unplanned cost which were not built into the audit fee. On completion we will agree these with management and seek approval from the PSAA.

We confirm all Deloitte network firms are independent of the Council. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

Our approach to quality

AQR team report and findings

Appendix C

Executing high quality audits remains our number one priority. We are committed to our critical public interest role and continue to embed our culture of quality and excellence into all of our people. This includes using new technology and tools to continue to transform our audit approach.

In July 2021 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2020/21 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, overall FRC inspection results, showing an improvement since last year from 76% to 79% of all inspections assessed as good or needing limited improvement, reflect the progress we are making. The overall profile of our ICAEW inspections and our internal inspection programme also show a similar overall improvement since last year.

The results for the inspections of FTSE 350 entities fell short of our overall scores, reflecting specific findings on those particular audits rather than issues pervasive across other audits. Our objective continues to be for all of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard.

We agree with and accept the FRC's findings on the individual inspections. The FRC has recognised improvements following the actions and programmes for previous years and we welcome the good practice points raised, including in respect of

impairment and revenue where individual findings continue to occur.

Overall, we are pleased that there have been no significant findings over our firm wide processes and controls over the last three inspection cycles in the areas subject to rotational review by the FRC. However, we are continually enhancing our processes and controls across our business and such changes will directly or indirectly affect audit quality.

All the AQR public reports are available on its website.

<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

Our approach to quality

AQR team report and findings

The AQR's 2020/21 Audit Quality Inspection Report on Deloitte LLP

"We reviewed 19 individual audits this year and assessed 15 (79%) as requiring no more than limited improvements. Of the 11 FTSE 350 audits we reviewed this year, we assessed eight (73%) as achieving this standard".

"Our key findings related primarily to the need to:

- Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets.
- Enhance the consistency of group audit teams' oversight of component audit teams.
- Strengthen the effectiveness and consistency of the testing of revenue."

"The firm has taken steps to address the key findings in our 2019/20 public report, with actions that included increasing the extent of consultations, and enhanced learning, coaching and support programmes.

We have identified improvements, for example, in the extent of challenge of management by audit teams in respect of the estimates used for model testing. This was identified as a key finding last year.

We also identified good practice in a number of areas of the audits we reviewed (including robust procedures relating to going concern and evidence to support the challenge of management in areas of key judgement) and in the firm-wide procedures (including establishing a centre of excellence focused on credit for banking audits to encourage the consistent application of the firm's methodology and guidance)."

Our approach to quality

AQR team report and findings

Appendix C

Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets

How we have addressed this area as a firm

To address this finding, we have done, or plan, the following:

- We refreshed our Impairment Centre of Excellence ("COE") to establish clear partner leadership and introduced frequent communication touchpoints to share best practice, hot topics and technical updates.
- We performed a risk focused strategic allocation of impairment specialists for a selection of December 2020 audit engagements, taking into account industry knowledge and experience. Going forward we will seek to involve the EQCR partner to determine whether the allocated specialist should have industry knowledge or whether generalist knowledge would provide an enhanced independent challenge to an industry focused engagement team.
- We will update our impairment guidance notes and consultation document to include specific risk criteria which require further discussion with a panel of specialists, including, but not limited to, where the audit team develop their own model or where cashflow forecasts extend beyond a commonly used period.
- The launch of the Digital Blueprint project management tool will assist teams in prioritising their time across all areas of the audit.
- We will hold workshops with our partners and directors to bring to life the common causes that have led to FRC findings and to ensure greater consistency in expectations in respect of the expected depth of review.
- We have introduced a new coaching program to support the development of primary reviewing skills and to identify any reviewing skills gaps which need addressing.
- To respond to the poor quality and untimely preparation of information by the company for audit, we expect, where appropriate, to increase the communication with management and those charged with governance so that there are clearer expectations in respect of the quality of information prepared for audit.
- We have updated our impairment template memo to reflect the most recent inspection findings we will develop additional training materials on hot topics and areas of regulatory focus, for example, guidance to assist in the challenge of cash flow assumptions and cost reduction initiatives.
- We also developed a new template to support teams in auditing accounting estimates in response to the requirements of ISA (UK) 540 revised 'Auditing Accounting Estimates & Related Disclosures'.

Our other responsibilities explained

Fraud responsibilities and representations

Appendix D

Agenda Item 6



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 ask the Audit & Standards Committee to confirm 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 also ask the Audit & Standards Committee to confirm 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 the risk of fraud in the completeness of creditors and management override of controls as a significant audit risk.

During course of our audit, we have had discussions with management and those charged with governance, with no significant issues identified.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Audit & Standards Committee on the process for identifying, evaluating and managing the system of internal financial control.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Value for Money deadline extension

Appendix E

Letter to the Audit Committee highlighting Value for Money deadline extension

Dear Audit & Standards Committee

The National Audit Office issued guidance to auditors on 16 April 2021 setting out a revised timetable for completion of work on arrangements to secure value for money. This revised timetable reflected the impact of the ongoing pandemic on preparers and auditors of accounts. That guidance, established that the Auditor's Annual Report should be published within three months of the signing of the Audit Opinion. Therefore we have not yet issued our Auditor's Annual Report. Under the 2020 Code of Audit Practice, we are required to provide this letter setting out the reasons for the Auditor's Annual Report not being issued by 30 September 2021.

Yours faithfully

Michelle Hopton

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STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

28 SEPTEMBER 2021

Report Title	STATEMENT OF ACCOUNTS 2020/21			
Purpose of Report	To approve the Statement of Accounts 2020/21 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 1 July 2021.			
Decision(s)	Audit and Standards Committee RESOLVES to: a) Approve the audited Statement of Accounts for the year ending 31 March 2021 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 2020-21			
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 (Amendment) Regulations 2021, the Strategic Director of Resources is required to sign and date the Statement of Accounts by 31 July 2021 and certify that it presents a true and fair view of the financial position of the Council at the end of March 2021 and its income and expenditure.
2. The Statement of Accounts for 2020/21 was signed as approved by the Strategic Director of Resources on 1 July 2021, in accordance with these requirements. The unaudited Statement of Accounts 2020/21 was made available on the Council's website from 1 July 2021 in compliance with the amended Accounts and Audit Regulations 2015.
3. A number of changes have been made to the unaudited Statement of Accounts 2020/21. 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.

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4. Through the Committee resolving to approve the audited Statement of Accounts, the Strategic Director of Resources together with the Chairman of the Audit and Standards 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 is published with the Independent auditor's report to the members of Stroud District Council.
6. The Council's external auditors Deloitte also present separately to this meeting their 'Report to the Audit & Standards Committee on the 2020/21 audit', 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 2021.

- **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 2021. 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 and signed a copy will be made available on the Council's internet site together with the Annual Governance Report <https://www.stroud.gov.uk/council-and-democracy/public-notice-audit-of-statement-of-accounts-2020-21>.

IMPLICATIONS

Financial Implications

There are no financial implications arising from this report.

Andrew Cummings, Strategic Director of Resources

andrew.cummings@stroud.gov.uk

Legal Implications

There are no direct legal implications arising from this report.

One Legal

legal.services@onelegal.org.uk

Equality Implications

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

Environmental Implications

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

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Statement of Accounts 2020/21



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Chief Financial Officer's Narrative Report

Introduction

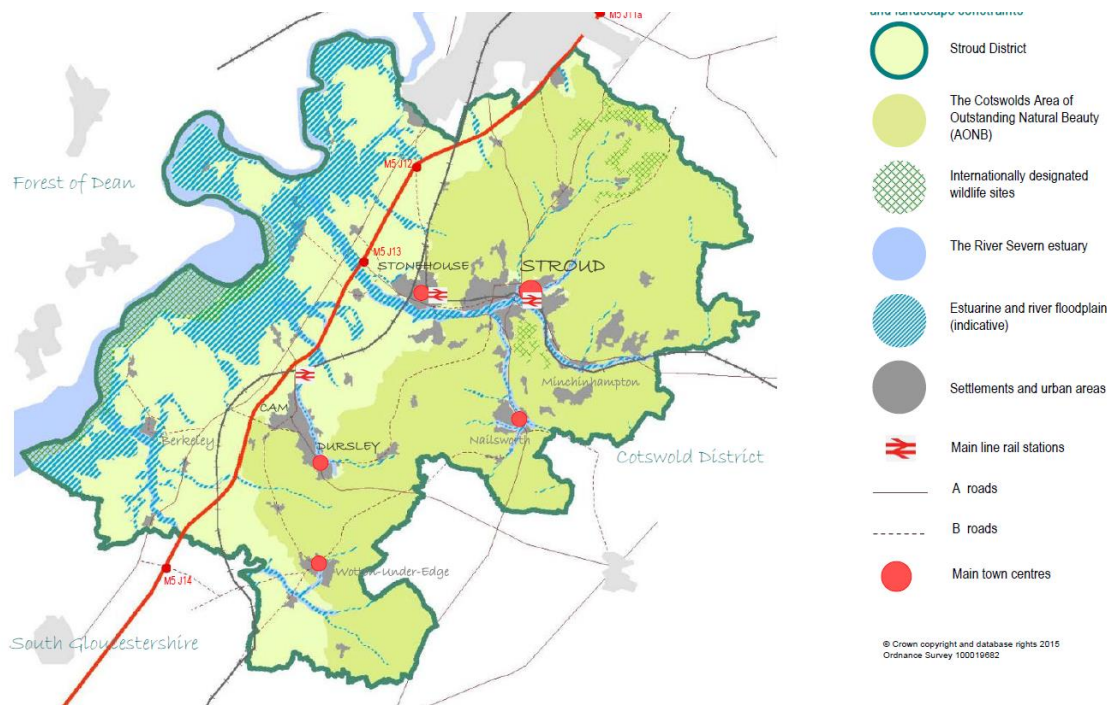
Welcome to the Narrative Report and Statement of Accounts for Stroud District Council. This narrative report sets the scene and tells the story of the District Council over the past year. Included within are details of the Council and the District, financial and non-financial performance for the past year and prospects for the time ahead.

This past year has been dominated by the Covid-19 pandemic and much of what you read over the following pages has been affected in some way. Where necessary we have flagged direct impacts to give you a better understanding of how it has changed things for your District Council.

I hope what follows is interesting and informative, and thank you for your interest in our finances.

About the District

The District of Stroud is located in the County of Gloucestershire, and covers an area of approximately 45,325 hectares (453 km² or 175 miles²). 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 120,903 (ONS Mid 2020) living in 51,476 households
- Stroud's population is expected to grow to 134,499 by 2040 (ONS Population Projections)
- The new draft local plan has set out a strategy for distributing an additional 12,600 homes by 2040

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Appendix A

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 for one year and then held in May 2021 (previous election May 2016).

The political make-up of the Council during the 2020/21 year was:

Labour	15
Green	9
Liberal Democrat	2
Independent	3
Conservative	21
Vacant seat	1

The new political make-up after the May 2021 election is:

Labour	15
Green	13
Liberal Democrat	3
Conservative	19
Conservative (No Group)	1

The Council is administered by a Co-Operative Alliance of the Labour, Green and Liberal Democrat Parties. The Council has adopted the Committee system as its political management structure. The list of Committees and chairs during the 2020/21 year is as follows.

Strategy and Resources	Councillor Doina Cornell (Leader)
Community Services and Licensing	Councillor Chris Brine (replaced Cllr Mattie Ross in September 2020)
Housing	Councillor Mattie Ross (replaced Cllr Chas Townley in September 2020)
Environment	Councillor Simon Pickering
Audit and Standards	Councillor Nigel Studdert-Kennedy
Development Control	Councillor Martin Baxendale

Senior Management

During the year the Council had a consistent of Strategic Leadership Team, reporting to the Chief Executive Kathy O'Leary. The team consisted of:

Monitoring Officer – Patrick Arran

Strategic Director of Place – Brendan Cleere

Strategic Director of Change and Transformation - Caron Starkey

Strategic Director of Communities – Keith Gerrard

Strategic Director of Resources – Andrew Cummings

The Chief Financial Officer (Section 151 Officer) is Andrew Cummings and the 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.

After the election in May 2021 work has begun on revising the Corporate Delivery Plan and the Council Priorities. This will be adopted later in 2021 and form the basis for the Council's Priorities up until 2024.

Impact of Covid-19

Inevitably the largest single factor in the Council's performance over the 2020/21 year has been the impact of the Covid-19 pandemic.

The Council has had to respond quickly to changing circumstances throughout the year. Its Officers have directly supported a number of direct responses to the pandemic supporting local people and businesses through extremely challenging times. The response from the Council include the following;

- Direct award of over £40m in government grants to support local businesses;
- Through the Gloucestershire help hub directing providing support to vulnerable and isolating people across the District;
- Working with, and funding, the voluntary sector on a range of initiatives across the District, particularly to provide food to those in need;
- Twice writing to all residents to outline support available during national lockdowns;
- Providing over £300k in Council Tax hardship support and £98k in Test and Trace isolation support to those who need it the most;
- Working with partners across the County to find beds for rough sleepers and ensure they were safely off the streets;
- Creating a market towns forum to allow the sharing of ideas around economic recovery, supported by a nationally recognised "Shop Local" campaign;

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Appendix A

- Acting as a trusted source of information signposting residents and businesses to up to date information and guidance around the pandemic.

All of these activities were carried out alongside day to day services which continued operating throughout the pandemic.

Inevitably such a response, alongside the disruption to income streams, has had a considerable financial impact on the authority. The additional costs are shown in the table below.

Additional Expenditure on Covid-19	£000
Homelessness	198
Ubico - waste and cleaning	88
PPE and facilities management costs	67
Community Grants	50
Externally funded Community grants	24
Communications with residents	56
Additional staff	89
IT software and equipment	41
Support for SLM (Stratford Park Leisure Centre)	195
Elections	15
Reopening the High Street	36
One Legal - loss of income	17
Compliance and enforcement	28
Council Tax Hardship funding	314
Other identified costs	29
Total additional expenditure	1,247

Although the additional costs were considerable the largest impact was on the Council's income, mostly through fees and charges. This is shown in the following table.

Covid-19 Related Loss of Income	£000
Car Parks	578
The Pulse	1,088
Development Control	235
Building Control	147
Other fees and charges	50
Rental Income	342
Investment Income	259
Revenues enforcement income	169
Total loss of income	2,868

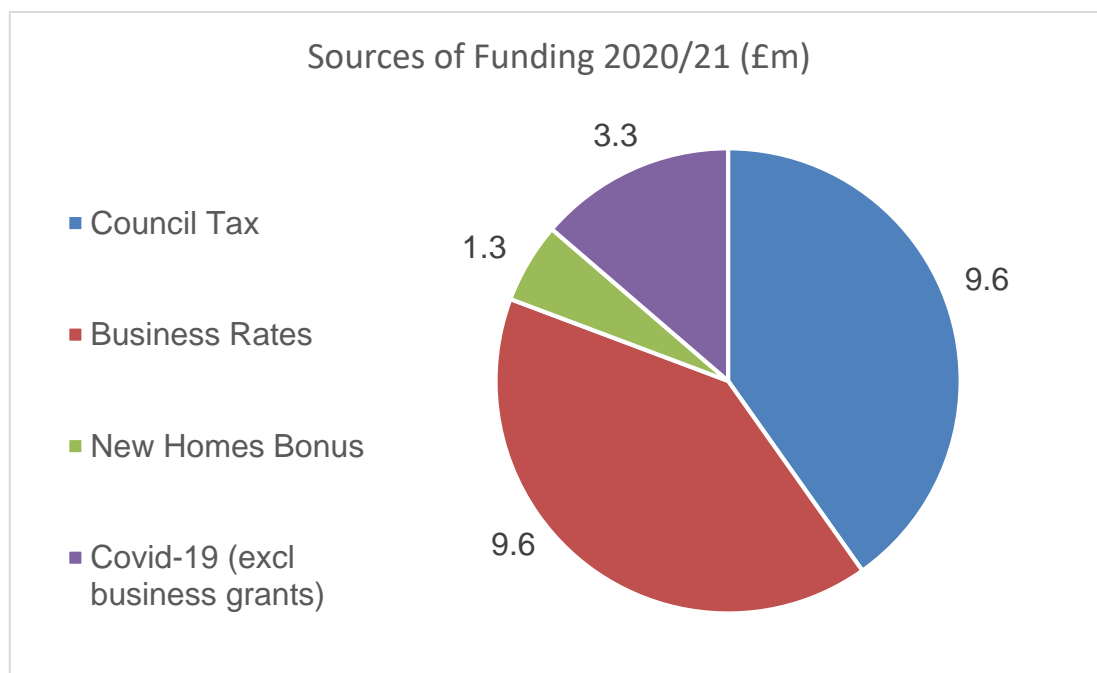
Combining the additional expenditure and loss of income gives an in-year Covid-19 impact of £4.115m. This would have been hugely damaging to an authority the size of Stroud, even with our stable financial position. However, central government support (see Note 40) to Local Authorities was considerable and we received the following sums in year.

Covid-19 Funding Received for Services	£000
Local Authority Support*	1,486
Sales, fees and charges scheme*	1,322
New burdens funding*	302
BID funding	31
Council Tax Hardship*	314
Sport England*	127
Reopening the High Street	36
<i>* further funding available or carried forward to 2021/22</i>	
Total Central Government support	3,618

In-Year Financial Performance

The final General Fund Revenue budget for 2020/21, including corporate items and reserve transfers, was £15.105m. The final outturn position for the year is £17.010m with a further transfer to reserves of £6.039m. Total funding was £23.835m, generating an underspend of £0.786m.

Funding was received in the following amounts:



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Appendix A

The detailed outturn position is shown in the following table:

GENERAL FUND	2020/21 Revised Budget £000	2020/21 Outturn £000	2020/21 Reserve Transfers £000	2020/21 Outturn Variance £000
Community Services	3,136	4,243	482	1,588
Environment	6,073	5,298	685	(91)
Housing General Fund	811	579	207	(25)
Strategy and Resources	7,076	8,581	(569)	937
SSC Income from HRA	(1,995)	(1,876)	0	120
Net Revenue Expenditure	15,101	16,825	804	2,528
Funding from Govt Grants/Council Tax	(15,104)	(23,835)	5,235	(3,495)
Transfers to Earmarked Reserves	4	185	0	181
Total General Fund	0	(6,825)	6,039	(786)

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 £000
Covid-19 expenditure/loss of income	4,115
Covid-19 funding received	(3,642)
Salaries (across GF)	(502)
Housing Benefit rent rebates	486
Waste and recycling	(379)
Public spaces	(90)
Corporate maintenance	(61)
General running underspends	(390)
IT software	144
Support charge income from HRA	120
Minimum Revenue Provision (MRP)	(160)
Business Rates Pool gain	(386)
Other variances (net)	(41)
Total	(786)

The Council's outturn report giving full details of budget performance across the year was published as part of the July 2021 Strategy and Resources Committee papers available on the Council website.

There has been a net increase in General Fund reserves in the year of £7.010m as a result of the factors below:

Use of Reserves	Net Movement £000
In year expenditure/income	891
Budgeted transfers to reserves	4
Community Infrastructure Levy	436
Council Tax Hardship Funding	314
General Fund Underspend	786
Collection Fund Smoothing	5,235
Capital Financing	(656)
Total	7,010

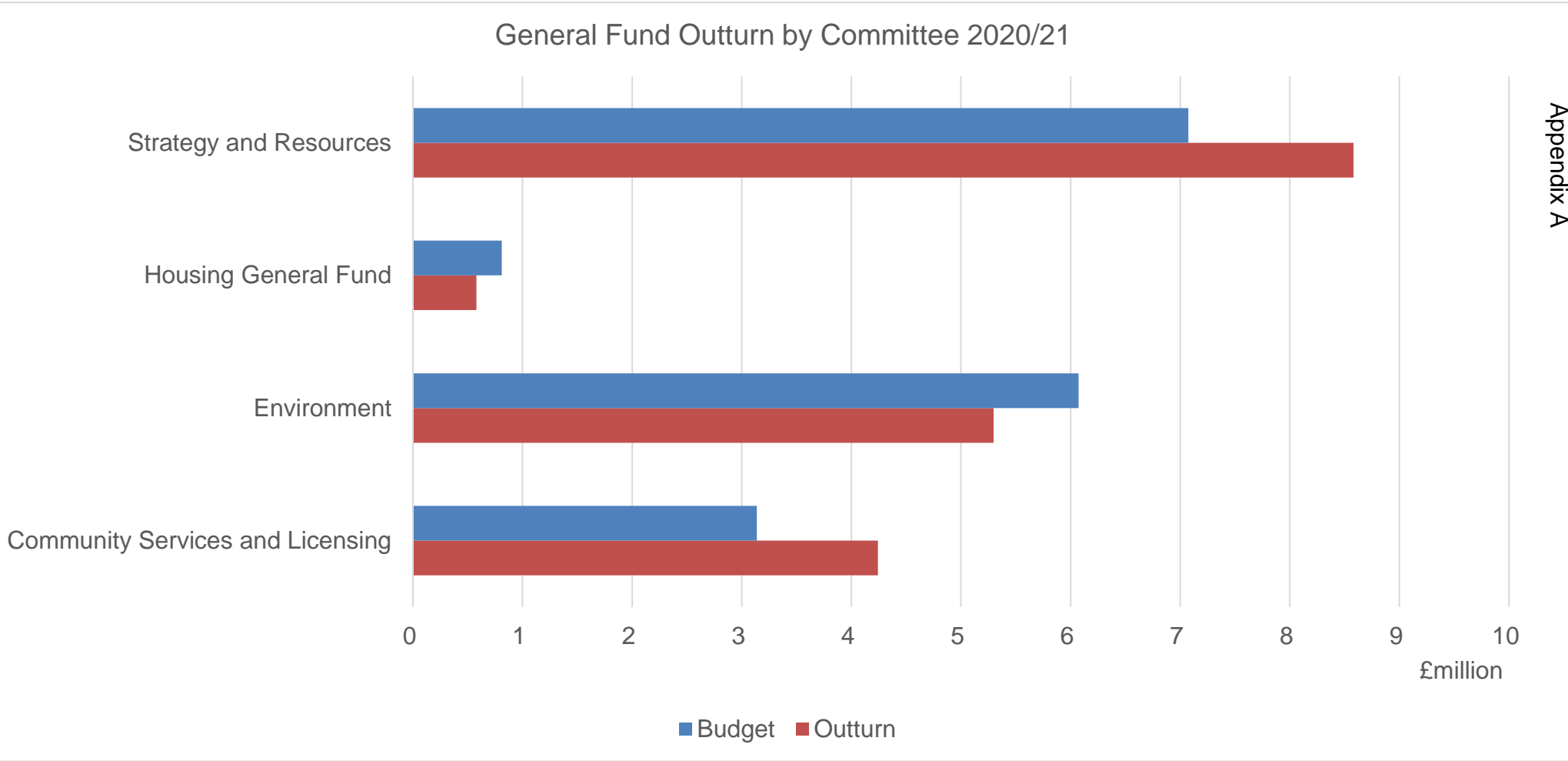
The collection fund smoothing reserve will be released in full to the General Fund over the next two years in line with the CIPFA treatment proposed. This will offset the impact of business rates reliefs and reduced Council Tax collection on the Collection Fund deficit position.

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	2019/20 £000	In-Year Movement £000	2020/21 £000
Capital	4,257	(656)	3,601
Business Rates Pilot	590	386	976
Business Rates Safety Net	1,892	600	2,492
Waste and Recycling	600	-	600
Transformation	678	(285)	393
Repairs and Replacement	252	52	304
Covid-19 Recovery Reserve	492	61	553
Equalisation	6,724	123	6,846
Collection Fund Smoothing	0	5,235	5,235
Community Infrastructure Levy	565	436	1,001
Brimscombe Port Development	0	397	397
Other Reserves	2,143	661	2,805
General Fund Balance	2,169	-	2,169
Total GF Reserves	20,362	7,010	27,372

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

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

Gloucestershire continues to operate a Business Rates pool which allows authorities to share in the risks and rewards of the business rates retention system and allows additional growth to be retained in the County. This is allocated in the following proportions:

- 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 £3.657m of which Stroud District Council received £0.381m. The pool growth was lower than in previous years as a result of the pandemic but this still represents a significant source of funding for Council priorities.

The pool is continuing into 2021/22 as extensive risk analysis showed that there is sufficient rates growth within the County to withhold any further impacts of the pandemic.

The Council's gain has been placed in an earmarked reserve for allocation to priority projects as per the Council's Corporate Delivery Plan.

Housing Revenue Account

The Council owns and maintains its own council housing stock and manages 4,992 properties with a balance sheet value of £275m (2019/20 £267m). On 1 April 2020 the repairs and maintenance of housing stock was brought in house and operates, within the Housing Revenue Account, under the name Property Care.

The HRA outturn position for 2020/21 shows a transfer to general reserves of £0.181m, a net transfer to earmarked reserves of £1.743m and a net transfer of £1.445m has been made to the Major Repairs Reserve. The main reasons for the variance are:

- £0.196m loss of income through rents and other charges due to Covid-19
- (£0.478m) salary underspends (including Property Care)
- (£0.176m) non salary savings across supervision and management
- £0.120m additional grounds maintenance costs

The following table shows the position of HRA reserves for 2020/21.

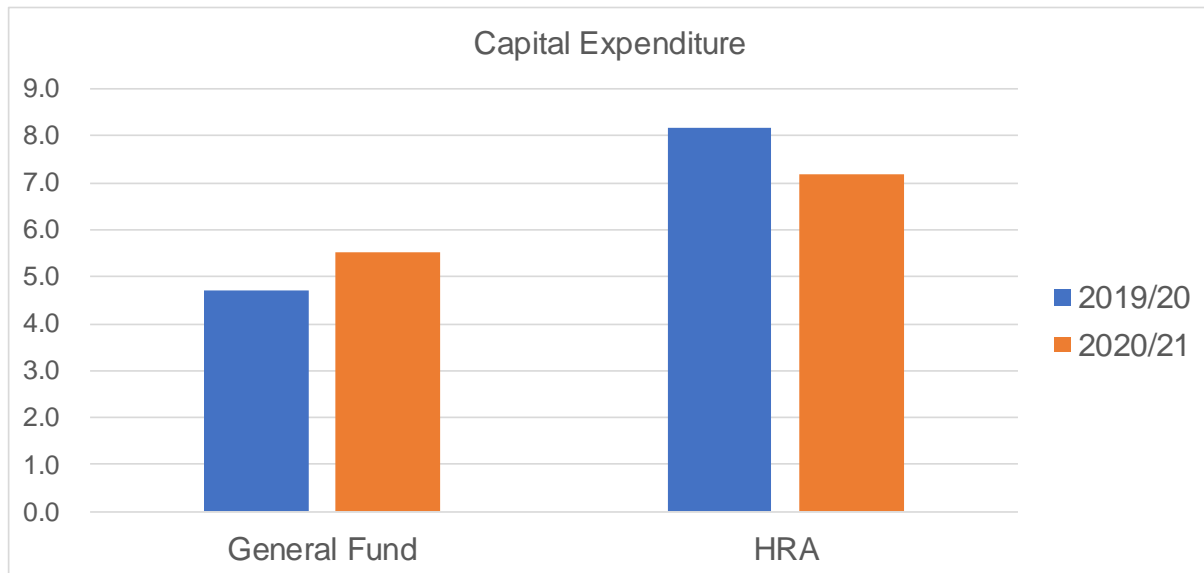
HRA Balances 2020/21	Opening balance £000	Net transfers to/(from) £000	Closing balance £000
General Reserves	4,430	181	4,611
Earmarked Reserves	3,925	1,743	5,668
Major Repairs Reserve	4,520	1,445	5,965
Total balances	12,875	3,369	16,244

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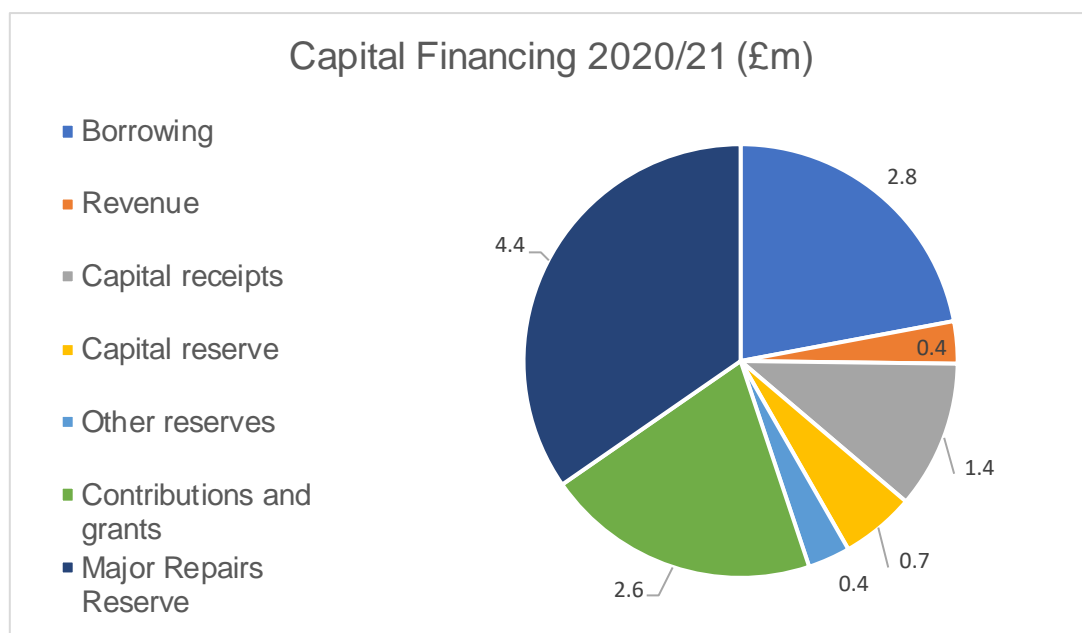
Appendix A

Capital Outturn

General Fund capital expenditure for 2020/21 was £5.513m (£4.719m in 2019/20). Major General Fund capital projects included the Canal Phase 1B (Stonehouse to Saul Junction) (£2.118m), ICT Investment Plan (£0.421m), Brimscombe Port Mill (£0.325m) and the Warm Homes Fund (£0.840m). HRA Capital spend was £7.171m (£8.169m in 2019/20). £4.436m of this relates to major works on dwellings, with £2.735m 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 increased in 2020/21 by £12.058m to £51.205m (£39.147m 2019/20). 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 has again shown high levels of satisfaction with Council services with the key highlights being shown below.

LG Satisfaction Questions residents responded with:

- 94% are *satisfied with their local area as a place to live* (90% in 2019).
- 81% are *satisfied with the way SDC runs things* (76% in 2019).
- 75% agree that *services have been maintained to a good standard* (73% in 2019)
- 63% agree that *SDC is business like and efficient* (60% in 2019).
- 70% think that SDC acts upon the concerns of local residents a great deal or a fair amount. (60% in 2019).
- 78% think that SDC keeps residents very or fairly well informed (70% in 2019).

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

- Adoption of a "2030 Strategy" to set the District on a path to Carbon Neutrality by 2030
- Extending the contract for the leisure centre at Stratford Park until 2024
- Successfully moved the housing repairs service in house on April 1st 2020
- Legal Services moved into the "One Legal" partnership at Tewkesbury Borough Council
- Received Planning permission for the infrastructure works at Brimscombe Port

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. In 2021/22 a full review of how the Council operates performance monitoring throughout the organisation is to be carried out.

The Council has continued to report progress against the objectives agreed in the Corporate Peer Challenge carried out in March 2019. The final report on progress in the 2020/21 year was reported to Strategy and Resources Committee in June 2021.

The Outlook for the Future

The Council's financial position at this point in the Covid-19 pandemic is stronger than may have been anticipated and the Council is in a good place moving forward to support the wider District in its recovery. The reserves position outlined earlier in the report shows that the Council continues to have the resource base to fund priority projects whilst ensuring its own financial sustainability for the long term. The medium term budget agreed in February 2021 set out a number of new funding allocations for key areas of priority activity.

Key to these ambitions will be a refreshed and renewed Corporate Delivery Plan. The current five themes have been in place for a number of years and, although these are still in line with the Council's vision, there is a real opportunity to review and ensure the Council's objectives are clear. Integrated within this project is a review of the Council's performance management processes to ensure that achievement of objectives is effectively monitored.

The Council's 2030 Strategy will be a key part of the refreshed objectives. The Strategy sets out the role that the Council has in the ambitious target of helping the district reaching carbon neutrality. Adopted by full Council after separate consideration by all of the Council's policy committees, the Strategy sets out how the Council can "be an exemplar" by putting our own house in order, "be an enabler" by playing our part as a partner and "be encouraging" by actively supporting good practice. Considerations of carbon reduction, sustainability and biodiversity will continue to be at the heart of Council decision making.

The Council also has an ambitious action plan linked to its Equality, Diversity and Inclusion Policy. In 2020 both the Covid-19 pandemic and the Black Lives Matter protests shone a light on inequality and discrimination that still exists within Society. The Council responded by developing an equalities working group which looked to review the Council's own actions in this area, in consultation with members of the local community. The new policy, adopted in March 2021, sets out in detail how the Council will not only work to improve matters for its own staff but also work with others to tackle these issues across the district. This will include a review and community consultation, in conjunction with Town and Parish Councils, of any street and building names, statues and architectural features that may be considered offensive

Physical regeneration and support of the local economy will continue to remain a priority area of activity. As part of this work the Strategy and Resources Committee has established a new "Regeneration and Investment Board".

Two major physical regeneration projects are also about to commence. The next phase of the "Cotswold Canals Connected" project will link the Stroudwater Canal to the Gloucester and Sharpness Canal. This is a partnership project with many bodies and includes £9m of Heritage Lottery funding. In order to ensure the wider benefits of the canal are captured the Council has also commissioned a Canal Strategy.

Full planning permission has also been granted for infrastructure works at Brimscombe Port, a key Corporate Delivery Plan objective. This project has been further boosted by the successful bid for £776k of Land Release Funding from the One Public estate scheme.

During the last year the Council has embarked on an ambitious modernisation plan, now called "Fit for the Future". This plan is split into four workstreams:

- Service Redesign

- Community Access
- People and Organisational Development
- People and Technology

Fit for the future is about ensuring the Council is able to provide great local services which are modern and customer focused. It will also make the Council a great place to work, ensuring that its staff are well placed to deliver those high quality services.

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. However, in order to ensure that our risk management processes remain in line with best practice our internal audit service will be carrying out a review in 2021 and identifying any areas for improvement.

The financial position for future years remains very uncertain, as has been reported in previous years. Central Government financial support for Local Authorities came to an end in June 2021. If the financial impacts of the pandemic continue beyond that point then this will be a direct impact on the authority's existing resource base. The position will be closely monitored and reported to elected members.

There is a need for Central Government to provide clarity on the funding allocation to Councils into the medium term, preferably with a new multi-year settlement. As a District which has seen significant growth in business rate income since 2013 the reset of the rates system is a significant risk, although allowed for in the Medium Term Financial Plan, and more detail is needed on funding after March 2022 to allow effective service planning for the future.

Summary of the Core Financial Statements

The Statement of Accounts summarises the Council's financial performance and cash flows for the 2020/21 financial year from 1 April 2020 to 31 March 2021 and its position at the financial year-end of 31 March 2021.

There are five core financial statements:

Expenditure and Funding Analysis (page 16)

This statement shows how the Council's annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) compared with those resources consumed or earned by the Council in accordance with generally accepted accounting practices.

Comprehensive Income and Expenditure Statement (page 17)

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

Movement in Reserves Statement (page 18)

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 £9.920m in 2020/21, (2020/21 £54.813m, 2019/20 £44.893m), with unusable reserves decreasing by £5.870m (2020/21 £162.567m, 2019/20 £168.437m).

Balance Sheet (page 20)

This statement shows the assets and liabilities of the Council. The Total Net Worth of the Council increased by £4.050m in the year (2020/21 £217.380m, 2019/20 £213.330m).

Cash Flow Statement (page 21)

This statement shows the changes in cash and cash equivalents in the year. There was an increase in cash and cash equivalents of £2.761m (2020/21 £19.255m, 2019/20 £16.494m).

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

Housing Revenue Account Income and Expenditure Statement (page 87)

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

Collection Fund Statement (page 93)

This statement shows the Council Tax and Non-Domestic Rates (NNDR) income received in the year less precepts and charges to the collection fund. Overall, the deficit on the NNDR element has increased by £13.463m (2020/21 £12.614m deficit, 2019/20 £0.849m surplus). There is an increase in the Council Tax deficit of £1.035m (2020/21 £1.100m deficit, 2019/20 £0.065m deficit).

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.

The Section 151 officer has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2021 and of its income and expenditure for the year then ended.

Signed:

Date:

Andrew Cummings
Section 151 Officer

28 September 2021

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									
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					
				Expenditure on Council Services					
2,945	-2,112	5,057	Community Services Committee	4,278	-2,305	6,583			
5,085	-3,251	8,336	Environment Committee	5,298	-4,797	10,094			
559	-2,163	2,723	Housing Committee - General Fund	579	-2,146	2,725			
-5,643	121	-5,764	Housing Committee - Housing Revenue Account	-7,152	-456	-6,696			
8,397	5,829	2,568	Strategy & Resources Committee	11,120	6,809	4,311			
11,343	-1,576	12,920	Net cost of services	14,122	-2,895	17,017			
-12,458	2,583	-15,041	Other income and expenditure	-23,056	-3,456	-19,600			
-1,115	1,007	-2,120	Surplus (-) or deficit on Provision of Services	-8,934	-6,350	-2,584			
-27,601			Opening General Fund and HRA balance	-28,717					
-1,115			Surplus or deficit on General Fund and HRA balance in year	-8,934					
-28,717			Closing General Fund and HRA Balance	-37,651					
General Fund Balance	Housing Revenue Account Balance	Total Balances		General Fund Balance	Housing Revenue Account Balance	Total Balances			
-20,120	-7,481	-27,601	Opening balance	-20,361	-8,355	-28,716			
-241	-874	-1,115	Surplus (-) / deficit	-7,010	-1,924	-8,934			
-20,361	-8,355	-28,716	Closing balance	-27,373	-10,279	-37,651			

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

2019/20			2020/21		
Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
<i>Figures in £000s</i>					
Expenditure on Council Services					
27,195	-22,138	5,057	25,702	-19,119	6,583
13,123	-4,787	8,336	15,359	-5,265	10,094
3,181	-458	2,723	3,099	-374	2,725
17,530	-22,555	-5,025	16,835	-22,882	-6,046
	-739	-739		-650	-650
5,127	-2,559	2,568	7,455	-3,145	4,311
66,156	-53,236	12,920	68,451	-51,434	17,017
4,428	-1,395	3,033	4,952	-816	4,136
5,396	-716	4,680	4,702	-773	3,929
-	-22,754	-22,754	-	-27,666	-27,666
		-2,120			-2,584
		-7,529			-13,276
		-13,883			11,810
		-21,412			-1,466
		-23,532			-4,050

Notes

Expenditure on Council Services

Community Services Committee
 Environment Committee
 Housing Committee - General Fund
 Housing Committee - Housing Revenue Account
 Council dwelling revaluation (material item - page 92)
 Strategy & Resources Committee

Surplus (-) / Deficit on Operations

Other Operating Expenditure

Financing & Investment Income & Expenditure

Taxation & Non-Specific Grant Income

Surplus (-) / Deficit on Provision of Services

Surplus (-) / deficit on revaluation of property, plant & equipment assets
 Actuarial remeasurement gains (-) / losses on pension assets / liabilities

Other Comprehensive Income & Expenditure

Total Comprehensive Income & Expenditure

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 2020/21

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
Notes	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	20,361	8,355	4,520	10,611	1,044	44,893	168,437	213,330
Surplus or (deficit) on provision of services (accounting basis)	-1,179	3,763	-	-	-	2,584	-	2,584
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	1,466	1,466
Total Comprehensive Income & Expenditure	-1,179	3,763	-	-	-	2,584	1,466	4,050
Adjustments between accounting basis & funding basis under regulations	8,189	-1,839	1,445	-353	-107	7,336	-7,336	-
Increase / (Decrease) in Year	7,010	1,924	1,445	-353	-107	9,920	-5,870	4,050
Balance at 31 March 2021	27,373	10,279	5,965	10,259	938	54,813	162,567	217,380

General Fund and HRA balance analysed over	General Fund £000	HRA £000	Total £000
Amounts earmarked	25,203	5,668	30,871
Amounts uncommitted	2,169	4,611	6,780
Total General Fund and HRA balance as at 31 March 2021	27,373	10,279	37,651

Movement in Reserves Statement 2019/20

	(a) General Fund Balance	(b) Housing Revenue Account	(c) Major Repairs Reserve	(d) Capital Receipts Reserve	(e) Capital Grants Unapplied	(f) Total Usable Reserves	(g) Unusable Reserves	(h) Total Authority Reserves
Notes	£000	£000	£000	£000	£000	£000	£000	£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	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	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

Balance Sheet

Balance Sheet			
31 March 2020		Notes	31 March 2021
£000			£000
317,385	Property, Plant & Equipment	14	330,360
140	Heritage Assets	15	140
17	Intangible Assets		6
8,702	Long Term Investments	18	9,867
281	Long-term Debtors	18	284
326,525	Long-term Assets		340,657
19,744	Short-term Investments	18	28,821
20	Assets Held for Sale	22	-
8,525	Short-term Debtors	20	11,286
16,494	Cash and Cash Equivalents	21	19,255
44,783	Current Assets		59,361
-1,000	Short Term Borrowing	18	-
-11,889	Short-term Creditors	23	-24,995
-12,889	Current Liabilities		-24,995
-2,186	Long-term Creditors	23	-2,186
-1,039	Provisions	24	-1,536
-102,717	Long-term Borrowing	18	-102,717
-39,146	Other Long-term Liabilities	34	-51,204
-145,088	Long-term Liabilities		-157,643
213,330	Net Assets		217,380
44,893	Usable Reserves	25	54,813
168,437	Unusable Reserves	26	162,567
213,330	Total Reserves		217,380

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 2020 £000		Notes	31 March 2021 £000
-2,120	Net surplus (-) or deficit on the provision of services		-2,584
-14,011	Adjust net surplus or deficit on the provision of services for non-cash movements	27	-19,668
3,397	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,232
-12,734	Net cash flows from Operating Activities		-20,020
9,428	Investing Activities	28	16,259
-	Financing Activities	29	1,000
-3,306	Net increase (-) or decrease in cash and cash equivalents		-2,761
13,188	Net cash and cash equivalents at the beginning of the reporting period		16,494
16,494	Net cash and cash equivalents at the end of the reporting period	21	19,255

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21* 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

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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% (2.3% in 2019/20) 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 where the 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.

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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

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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.

(I) **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.

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(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 2021 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 implementation of phase 1B, which is 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) 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.

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The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating leases

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

The Council as Lessor

Finance Leases

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

or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received).
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

(r) 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.

(s) 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.

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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.

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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.

(t) 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.

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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.

(u) 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.

(v) 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.

(w) 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 2021/22 Code:

Definition of a business: Amendments to IFRS 3 Business Combinations
Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

3. Critical Judgements in Applying Accounting Policies

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

- The Council has applied its judgement that there is no group relationship arising from the Canal works. The Council was successful in October 2020 in being awarded £8.9m funding from the Heritage Lottery Fund (HLF) to deliver a £16.4m Phase 1B canal restoration project, which will see the Stroudwater Navigation linked to the national canal network. Phase 1A of the canal restoration project from The 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 2021 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 2021. 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

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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 2021 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, Property Funds, and Pension Fund Property Investments	<p>The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, impacted global financial markets.</p> <p>A year on from that there is an ongoing outlook of financial uncertainty. Consequently, most of the Council's property assets have been revalued as at 31 March 2021.</p> <p>It is important to note however that valuations this year are not reported on the basis of 'material valuation uncertainty' as defined by VPS3 (Valuation Technical and Performance Standard) and VPGA 10 (Valuation Practical Guidance Application) of the RICS Red Book Global.</p>	<p>Council dwellings and Other Land & Buildings valuations account for £322.126m (Note 14), property fund investments £5.795m (Note 18) and pension fund property investments £7.811m (Note 34).</p> <p>This is a total exposure of £335.732, and so a 10% adverse variation in the accuracy of property valuations would result in an impact of £34m.</p>
Pensions Liability	<p>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</p>	<p>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 £16.374m (2019/20 £11.887m).</p> <p>However, the assumptions interact in complex ways. During 2020/21, the Council's actuaries advised that</p>

	with expert advice about the assumptions to be applied.	the net pension liability had increased by £11.810m (decreased by £13.883m 2019/20) as a result of re-measurements by the actuary.
Arrears	At 31 March 2021 the Council had a short-term debtor balance of £13.687m and a bad debt provision of £2.401m or 17.5% 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:

- Increase in net pension fund liabilities of £12.058m (see note 34).
- HRA capital programme which includes new build properties was £7.2m (2019/20 £8.2m). For more detail see note 4 of the HRA financial statements on page 90.
- Significant sums of income were received in relation to the Council's activities during the Covid-19 pandemic. More details can be found in the Narrative Statement and Note 40.

6. Events after the Balance Sheet Date

There are no material events after the Balance Sheet date to disclose.

7. Note to the Expenditure and Funding Analysis

Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2020/21

	Adjustments for Capital Purposes (a)	Net change for the Pensions Adjustments (b)	Other Differences (c)	Total Adjustments
	£000	£000	£000	£000
Expenditure on Council Services				
Community Services Committee	-1,156	-337	-812	-2,305
Environment Committee	-2,319	-360	-2,119	-4,797
Housing Committee - General Fund	-1,643	-43	-460	-2,146
Housing Committee - Housing Revenue Account	989	150	-1,596	-456
Strategy & Resources Committee	742	1,230	4,837	6,809
Net cost of services	-3,386	641	-149	-2,895
Other income and expenditure from the expenditure and funding analysis	2,724	-889	-5,291	-3,456
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	-662	-248	-5,440	-6,350

Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure amounts	Adjustments for Capital Purposes (a)	Net change for the Pensions Adjustments (b)	Other Differences (c)	Total Adjustments
	£000	£000	£000	£000
Community Services Committee	-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	1,461	-45	-1,295	121
Strategy & Resources Committee	1,169	898	3,762	5,829
Net Cost of Services	-940	-624	-12	-1,576
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	3,041	-1,855	-179	1,007

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		
	2019/20	2020/21
	£000	£000
Expenditure		
Employee benefits expenses	16,688	15,958
Other services expenses	38,307	40,195
Depreciation, amortisation, impairment	11,168	12,351
Downwards revaluations of property	637	234
Interest payments	4,760	4,415
Precepts and levies	4,061	4,397
Payments to housing capital receipts pool	367	555
Total Expenditure	75,988	78,105
Income		
Fees, charges and other service income	-32,210	-29,434
Interest and investment income	-703	-412
Gain (-) or loss on disposal of assets	-1,395	-816
Upward revaluations of property	-776	-1,156
Income from council tax and non-domestic rates	-17,985	-17,976
Government grants and contributions	-25,043	-30,895
Total Income	-78,112	-80,689
Surplus (-) or Deficit on the Provision of Services	-2,120	-2,584

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 2020/21

2020/21	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments to the Revenue Resources						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pensions costs (transferred to (or from) the Pensions Reserve)	167	81	-	-	-	-248
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	5,472	-	-	-	-	-5,472
Holiday pay (transferred to the Accumulated Absences Reserve)	108	41	-	-	-	-149
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)	6,312	5,299	-	-	-	-11,611
Reversal of Gains/losses on investments	-181	-	-	-	-	181
Total Adjustments to Revenue Resources	11,878	5,421	-	-	-	-17,299
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-672	-1,560	-	2,232	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	12	-	-12	-	-
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	655	750	-	-	-	-1,405
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	555	-	-	-555	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-5,887	5,887	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-875	-	-	-655	-	1,530
Total Adjustments between Revenue and Capital Resources	-338	-6,685	5,887	1,011	-	125
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-1,364	-	1,364
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-4,442	-	-	4,442
Application of capital grants to finance capital expenditure	-2,291	-173	-	-	-107	2,570
Capital expenditure charged against the General Fund and HRA balances	-1,061	-402	-	-	-	1,463
Total Adjustments to Capital Resources	-3,351	-574	-4,442	-1,364	-107	9,838
Adjustments between accounting basis & funding basis under regulations	8,189	-1,839	1,445	-353	-107	-7,336

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Appendix A

Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20

2019/20	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pensions costs (transferred to (or from) the Pensions Reserve)	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)	4,761	5,958	-	-	-	-10,719
Total Adjustments to Revenue Resources	6,425	6,326	-	-	-	-12,751
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
Adjustments between accounting basis & funding basis under regulations	1,463	-2,470	-431	1,427	397	-388

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 2020/21.

Transfers to / from Earmarked Reserves 2020/21							
	Balance 31 March 2019	Tsfers From 2019/20	Tsfers To 2019/20	Balance 31 March 2020	Tsfers From 2020/21	Tsfers To 2020/21	Balance 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Brexit reserve	18	-	35	53	-	-	53
Building control shared service	224	-102	-	122	-47	-	75
Brimscombe Port Redevelopment	-	-	-	-	-	397	397
Business rates pilot	897	-307	-	590	-	386	976
Business rates safety net	1,346	-	546	1,892	-	600	2,492
Capital	5,418	-1,159	-	4,257	-656	-	3,601
Climate change	200	-	75	275	-	163	438
Collection Fund Smoothing reserve	-	-	-	-	-	5,235	5,235
Community infrastructure levy	218	-	347	565	-	436	1,001
Covid-19 recovery	-	-	492	492	-139	200	553
Culture, arts and leisure reserve	-	-	130	130	-14	-	117
General Fund carry forwards	423	-423	420	420	-420	975	975
Efficiency and invest to save	100	-100	-	-	-	-	-
Homelessness prevention	98	-	-	98	-	-	98
Investment risk	100	-	210	310	-	-	310
Legal counsel	50	-	-	50	-	-	50
MRP / VRP equalisation	250	-250	-	-	-	-	-
MTFP equalisation	6,091	-	632	6,723	-	123	6,846
Neighbourhood planning grant	47	-33	-	14	-2	-	12
Opportunity land purchase	250	-	-	250	-	-	250
PDG	50	-19	-	31	-	-	31
Pension fund	205	-205	-	-	-	-	-
Planning appeal costs	100	-	-	100	-	-	100
Redundancy	488	-238	-	250	-	-	250
Repairs and replacement	200	-72	124	252	-	52	304
Street cleaning funding	20	-8	-	12	-11	16	17
The Pulse	130	-130	-	-	-	-	-
Transformation	400	-	278	678	-285	-	393
Waste management	600	-	-	600	-	-	600
Welfare reform	30	-	-	30	-	-	30
Total earmarked reserves - General Fund	17,951	-3,048	3,289	18,192	-1,573	8,583	25,203
HRA:							
HRA earmarked reserve	4,095	-1,170	1,000	3,925	-949	2,692	5,668
Total earmarked reserves - HRA	4,095	-1,170	1,000	3,925	-949	2,692	5,668
Total earmarked reserves	22,046	-4,218	4,289	22,118	-2,522	11,275	30,871

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

11. Other Operating Expenditure

Other Operating Expenditure		
2019/20		2020/21
£000		£000
3,917	Parish Council Precepts	4,249
144	Levies	148
367	Payments to the Government Housing Capital Receipts Pool	555
-1,395	Gains (-) / losses on the disposal of non-current assets	-816
3,034	Total Other Operating Expenditure	4,136

12. Financing and Investment Income and Expenditure

Financing & Investment Income & Expenditure		
2019/20		2020/21
£000		£000
3,529	Interest payable and similar charges	3,526
1,231	Net interest on the net defined benefit liability	889
-702	Interest receivable and similar income	-412
-14	Clean Energy Cashback	-58
311	Financial assets change in fair value	-181
325	Bad debt provision	165
4,680	Total Financing & Investment Income & Expenditure	3,929

13. Taxation and Non-Specific Grant Income

Taxation & Non-Specific Grant Income		
2019/20		2020/21
£000		£000
-13,156	Council tax income	-13,645
-4,829	Non-domestic rates	-4,331
-1,816	Non-ringfenced government grants	-7,227
-2,953	Capital grants and contributions	-2,463
-22,754	Total Taxation & Non-Specific Grant Income	-27,666

See Note 40 Covid-19 Government Funding

Tables contain rounding (see Glossary) which affect the arithmetic accuracy of the figures.

14. Property, Plant and Equipment

Property, Plant and Equipment						
Movements in 2020/21	Council dwellings	Council dwellings under construction	Other land & buildings *	Vehicles, plant furniture & equipment	Infra-structure assets	Total property, plant & equipment
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2020	267,105	3,273	53,144	10,505	328	334,355
Additions	5,949	1,222	-	1,287	-	8,458
Donations	-	-	-	-	-	-
Revaluation increases / decreases (-) recognised in the Revaluation Reserve	6,267	-	7,009	-	-	13,276
Revaluation increases / decreases (-) recognised in the Surplus / Deficit on the Provision of Services	-5,285	-	-2,762	-	-	-8,047
Derecognition - disposals	-623	-	-561	-	-	-1,184
Derecognition - disposals recognised in revaluation reserve	-107	-	-94	-	-	-201
Transfers	1,540	-1,540	-	-	-	-
At 31 March 2021	274,846	2,955	56,736	11,792	328	346,657
Accumulated Depreciation & Impairment						
At 1 April 2020	-	-	-11,142	-5,620	-203	-16,965
Depreciation charge	-5,863	-	-545	-1,001	-11	-7,420
Depreciation written out to the Revaluation Reserve	-	-	-693	-	-	-693
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,863	-	2,924	-	-	8,787
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-
At 31 March 2021	-	-	-9,456	-6,621	-214	-16,291
Net Book Value						
At 31 March 2021	274,846	2,955	47,280	5,171	114	330,360
At 31 March 2020	267,105	3,273	42,002	4,885	125	317,385

*Other land and buildings includes £54k net book value of Community Assets, and £430k net book value of Surplus Assets.

Property, Plant and Equipment

Movements in 2019/20	Council dwellings	Council dwellings under construction	Other land & buildings *	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	-	1,737	-	-	7,501
Revaluation increases / decreases (-) recognised in the Surplus / Deficit on the Provision of Services	-5,903	-	138	-	-	-5,765
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	-	-568	-1,005	-11	-7,297
Depreciation written out to the Revaluation Reserve	-	-	-703	-	-	-703
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,713	-	509	-	-	6,222
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.

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 contractual commitment greater than £300k as at 31 March 2021, comprised of construction works at Ringfield Close, Broadfield Road and Summersfield Road to a value of £4.9m with E W Beard Ltd.

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. During 2020-21 almost all the Council's properties have been revalued. Bruton Knowles have valued most of the Council's operational property assets including The Pulse, Stratford Park Leisure Centre, Museum in the Park, Gossington Depot, The Ship Inn, Littlecombe Business Park, Ebley Mill and the main car parks. Savills have revalued the council houses. Other property valuations such as the smaller car parks 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. Revaluations are as at 31 March 2021.

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

The emergence of a global pandemic in March 2020 resulted in property valuations presented together with a material uncertainty clause for valuations as at 31 March 2020. For valuations as at 31 March 2021 there is no material uncertainty clause.

15. Heritage Assets

Heritage Assets				
	Heritage Properties	Painting	Warwick Vase	Total
	£000	£000	£000	£000
Cost or valuation At 31 March 2021	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 2016/17 to 2020/21.

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		
	2019/20	2020/21
	£000	£000
Opening Capital Financing Requirement	111,468	110,014
Capital Investment		
Property, Plant and Equipment	9,735	8,458
Revenue Expenditure Funded from Capital under Statute	3,151	4,227
Sources of Finance		
Capital receipts	-1,259	-1,363
Government grants and other contributions	-2,557	-2,570
Sums set aside from revenue	-7,971	-5,499
Direct revenue contributions	-446	-405
Minimum Revenue Provision	-892	-875
Voluntary Revenue Provision	-1,215	-655
Closing Capital Financing Requirement	110,014	111,332
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	-1,454	1,318
Increase / decrease(-) in Capital Financing Requirement	-1,454	1,318

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’.

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Appendix A

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

Future Minimum Lease Payments		
	31 March 2020 £000	31 March 2021 £000
Not later than one year	63	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total Future Minimum Lease Payments	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		
	2019/20 £000	2020/21 £000
Minimum lease payments	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 2020 £000	31 March 2021 £000
Not later than one year	71	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total Authority as Lessor	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 2020/21 £ nil contingent rents were receivable by the Council (2019/20 £ 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	31 March	31 March	31 March
	2020	2021	2020	2021
	£000	£000	£000	£000
Investments				
Financial assets at amortised cost	-	-	19,744	28,821
Financial assets at fair value through profit and loss	8,702	9,867	-	-
Total Investments	8,702	9,867	19,744	28,821
Debtors				
Financial assets at amortised cost	281	284	8,525	11,286
Total Debtors	281	284	8,525	11,286
Borrowings				
Financial liabilities at amortised cost	-102,717	-102,717	-1,000	-
Total Borrowings	-102,717	-102,717	-1,000	-
Creditors				
Financial liabilities carried at contract cost	-2,186	-2,186	-11,889	-24,995
Total Creditors	-2,186	-2,186	-11,889	-24,995

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 2020/21 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.

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Appendix A

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 2021, 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 2020		31 March 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	103,717	123,208	102,717	131,873
Long-term creditors	2,186	1,818	2,186	1,818
Short-term creditors	11,889	11,889	24,995	24,995

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 2020		31 March 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans & receivables	28,269	28,269	40,107	40,107
Long-term debtors	281	234	284	236

Short-term creditors and loans and receivables are carried at cost as this is a fair approximation of their value.

Fair Values - Financial Assets		
	31 March 2020	31 March 2021
	£000	£000
Lothbury Property Fund	3,908	3,840
Hermes Property Fund	2,009	1,953
Royal London Multi-Asset Fund	2,785	3,064
CCLA	-	1,010
TOTAL	<u>8,702</u>	<u>9,867</u>

During 2019/20 the Council conducted a selection process involving a cross-party group of Members for long term financial investments in property and multi-asset funds. A total of £9m was invested. A further £1m was invested in CCLA multi-asset fund during 2020/21. Any change in capital value at year end is taken through the CIES and reversed out to an unusable reserve (see Financial Instrument Adjustment Account Note 26).

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 Gloucestershire 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 was 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 2021 any potential liabilities have expired (March 2020 £24,500). There were no repossessions under the scheme or calls upon the financial guarantee since inception.

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 20 February 2020 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2020/21 is £137m. This is the maximum limit of external borrowings or other long-term liabilities.

- The Operational Boundary is £129m. 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 2020/21 to credit risk in relation to its investments in banks and building societies was £67m. 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 2021 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 2021 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2021 %	Estimated maximum exposure to default & uncollectability at 31 March 2021 £000 (A*C)	Estimated maximum exposure to default & uncollectability at 31 March 2020 £000
	A	B	C		
Bonds	-	-	-	-	-
Customers	11,286	4.5%	6.0%	677	512
				677	512

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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 2020	31 March 2021
	£000	£000
Less than one year	12,889	24,995
Between one and two years	-	2,000
Between two and five years	4,000	2,000
More than five years	100,717	100,717
	117,606	129,712

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 below.

Maturity Analysis - PWLB

	31 March 2020 £000	31 March 2021 £000
Less than one year	1,000	-
Between one and two years	-	2,000
Between two and five years	2,000	-
Between five and ten years	-	-
More than ten years*	100,717	100,717
Total	103,717	102,717

*PWLB maturities are during the period up until 2066.

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, or for the medium to long term in the case of property funds and multi-asset funds. This has the effect of nullifying or greatly reducing 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. 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.

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According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

1% Interest Higher

2020/21

£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)	22,587
--	--------

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 2020 £000	31 March 2021 £000
Central government bodies	3,050	2,468
Other local authorities	2,372	4,260
Other entities & individuals	3,103	4,558
Total Debtors	8,525	11,286

21. Cash and Cash Equivalents

Cash and Cash Equivalents			
	31 March 2020	31 March 2021	
	£000	£000	
Cash held by the Authority	2	2	
Bank current accounts	-267	61	
Short-term deposits with banks	16,759	19,192	
Total Cash and Cash Equivalents	16,494	19,255	

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

22. Assets Held for Sale

Assets Held for Sale			
	31 March 2020	31 March 2021	
	£000	£000	
Balance outstanding at 1 April	149	20	
Assets newly classified as held for sale:			
Other land	1	-	
Revaluation gains	19	-	
Assets sold	-149	-20	
Balance outstanding at 31 March	20	-	

23. Creditors

Creditors				
	Current		Non-Current	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000
Central government bodies	4,181	14,637	2,000	2,000
Other local authorities	203	795	-	-
NHS bodies	-	-	-	-
Public corporations & trading funds	-	-	-	-
Other entities & individuals	7,504	9,564	186	186
Total Creditors	11,889	24,995	2,186	2,186

24. Provisions

Provisions			
	Housing Repairs	NNDR	Total
	£000	£000	£000
Balance at 1 April 2020	624	415	1,039
Additional provisions made in 2020/21	-	1,035	1,035
Amounts used in 2020/21	-	-538	-538
Unused amounts reversed in 2020/21	-	-	-
Balance at 31 March 2021	624	912	1,536

The Housing Repairs provision is held pending agreement of a final account with a contractor. The NNDR provision is for the estimated cost of National Non-Domestic Rating appeals.

25. Usable Reserves

Usable Reserves	
31 March 2020 £000	31 March 2021 £000
2,169 General Fund	2,169
18,192 Earmarked General Fund Reserves	25,203
4,430 Housing Revenue Account	4,611
3,926 Earmarked HRA Reserves	5,668
4,520 Major Repairs Reserve	5,965
10,611 Capital Receipts Reserve	10,259
1,044 Capital Grants Unapplied	938
44,893 Total Usable Reserves	54,813

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

26. Unusable Reserves

Unusable Reserves	
31 March 2020 £000	31 March 2021 £000
48,727 Revaluation Reserve	61,108
158,845 Capital Adjustment Account	158,092
-311 Financial Instruments Adjustment Account	-129
-39,147 Pensions Reserve	-51,205
473 Collection Fund Adjustment Account	-4,999
-149 Accumulating Absences Adjustment Account	-299
168,437 Total Unusable Reserves	162,567

Note 26 tables contains rounding (see Glossary) which affect the arithmetic accuracy of the figures.

Revaluation Reserve

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

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

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Revaluation Reserve	
31 March 2020 £000	31 March 2021 £000
42,354	48,726
Balance at 1 April	
7,526	14,245
Upward revaluation of assets	
-26	-969
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	
Surplus or deficit on revaluation of non-current assets	
7,500	13,276
not posted to the Surplus or Deficit on the Provision of Services	
-702	-693
Difference between fair value depreciation and historical cost depreciation	
-426	-202
Accumulated gains on assets sold or scrapped	
-1,128	-895
Amount written off to the Capital Adjustment Account	
48,726	61,108
Balance at 31 March	

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 2020 £000 <u>156,042</u>	Balance at 1 April	31 March 2021 £000 <u>158,845</u>
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
-1,778	Charges for depreciation and impairment of non-current assets	675
-5,748	Revaluation (losses)/gains on PPE	-8,049
-15	Amortisation of intangible assets	-11
-3,151	Revenue expenditure funded from capital under statute	-4,227
-1,975	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	-1,405
<u>-12,667</u>		<u>-13,016</u>
1,129	Adjusting amounts written out of the Revaluation Reserve	895
<u>-11,538</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>-12,121</u>
<i>Capital financing applied in the year:</i>		
1,259	Use of the Capital Receipts Reserve to finance new capital expenditure	1,364
6,504	Use of the Major Repairs Reserve to finance new capital expenditure	4,442
2,557	Application of grants to capital financing from the Capital Grants Unapplied Account	2,570
892	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	875
1,215	Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	655
1,913	Capital expenditure charged against the General Fund and HRA balances	1,463
<u>14,341</u>		<u>11,368</u>
<u>158,845</u>	Balance at 31 March	<u>158,092</u>

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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 2020 £000	31 March 2021 £000
- Balance at 1 April	-311
9 Upward revaluation of investments	303
-320 Downward revaluation of investments	-122
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	181
-311 Balance at 31 March	-129

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.

Pension Reserve	
31 March 2020 £000	31 March 2021 £000
-51,175 Balance at 1 April	-39,147
13,883 Actuarial gains or losses on pensions assets and liabilities	-11,810
-5,919 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	-4,406
4,064 Employers pension contributions and direct payments to pensioners payable in the year	4,158
-39,147 Balance at 31 March	-51,205

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 2020 £000	31 March 2021 £000
329 Balance at 1 April	473
<i>Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements:</i>	
-136 Council tax	-165
281 Non-domestic rates	-5,307
473 Balance at 31 March	-4,999

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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.

Accumulated Absences Account	
31 March 2020 £000	31 March 2021 £000
-138 Balance at 1 April	-149
138 Settlement or cancellation of accrual made at the end of the preceding year	149
-149 Amounts accrued at the end of the current year	-299
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	-149
-149 Balance at 31 March	-299

27. Cash Flow Statement – Operating Activities

Cash Flow Statement - Non-Cash Items Included in Surplus (-) / Deficit on Provision of Services

31 March 2020 £000		31 March 2021 £000
-1,805	Depreciation charges	674
-15	Amortisation charges	-11
-5,747	Impairments and revaluations	-8,030
-881	Increase (-) / decrease in creditors	-13,097
27	Increase (-) / decrease in long term creditors	-
441	Increase / decrease (-) in debtors	2,761
-25	Increase / decrease (-) in long-term debtors	3
475	Increase (-) / decrease in provisions	-496
-2,336	Pension prepayment	-
-1,855	Non-cash charges for retirement benefits	-248
-1,975	Carrying amount of non-current assets sold	-1,405
-311	Fair value of long term investments	181
-14,011	Non-cash items in Net Surplus (-) / Deficit	-19,668

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

28. Cash Flow Statement – Investing Activities

Cash Flow Statement - Investing Activities

31 March 2020 £000		31 March 2021 £000
9,735	Purchase of property, plant and equipment, investment property and intangible assets	8,458
35,761	Purchase of short-term and long-term investments	191,189
-3,397	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-2,232
-32,671	Proceeds from short-term and long-term investments	-181,156
9,428	Net cash flows from investing activities	16,259

29. Cash Flow Statement – Financing Activities

Cash Flow Statement - Financing Activities			
31 March			31 March
2020			2021
£000			£000
	Repayments of short- and long-term borrowing		1,000
<u>-</u>	Net cash flows from financing activities		<u>1,000</u>

30. Acquired or Discontinued Operations and Transferred Services

In April 2020 eleven staff TUPE transferred to the Council from NKS Ltd in addition to the transfer of six staff from Mi-Space Ltd in March 2020. This was part of the commencement of an in-house housing maintenance service.

31. Members' Allowances

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

Members' Allowances		
	2019/20	2020/21
	£000	£000
Allowances	339	343
Expenses	6	-
Total Members' Allowances	<u>345</u>	<u>343</u>

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	2020/21	118,437	23,332	141,769
	2019/20	115,269	20,748	136,017
Strategic Director of Resources	2020/21	84,511	16,648	101,159
	2019/20	74,176	13,620	87,796
Strategic Director of Transformation & Change	2020/21	85,282	16,800	102,082
	2019/20	25,882	4,659	30,541
Strategic Director of Place	2020/21	87,337	17,205	104,542
	2019/20	20,108	3,619	23,727
Strategic Director of Communities	2020/21	82,200	16,193	98,393
	2019/20	6,667	1,200	7,867
Director (Tenant & Corporate Services)	2020/21	-	-	-
	2019/20	60,854	4,492	65,346
Director (Development Services)	2020/21	-	-	-
	2019/20	60,103	9,948	70,051

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 was not directly employed by the Council during the comparative periods above.

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

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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	2019/20 Number of employees	2020/21 Number of employees
£50,000 - 54,999	5	8
£55,000 - 59,999	4	6
£60,000 - 64,999	2	1
£65,000 - 69,999	-	1

33. Termination Benefits

The Council terminated the contracts of 2 employees in 2020/21, incurring a liability of £30k (8 employees, £145k in 2019/20).

Termination Benefits								
Exit package cost band £000	Compulsory		Other		Total exit		Total cost of exit	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £000	2020/21 £000
0 - 20	2	-	4	1	6	1	44	8
20 - 40	1	-	-	1	1	1	22	22
40 - 60	-	-	-	-	-	-	-	-
60 - 80	-	-	1	-	1	-	79	-
80 - 100	-	-	-	-	-	-	-	-
100 - 120	-	-	-	-	-	-	-	-
Total cost included in bandings and in the CIES	3	-	5	2	8	2	145	30

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	
	2019/20 £000	2020/21 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services</i>		
Current service cost	4,307	3,517
Past service costs (including curtailments)	381	-
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	1,231	889
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,919	4,406
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)	9,659	-22,090
Actuarial gains and losses on changes in demographic assumptions	-4,888	1,854
Actuarial gains and losses arising on changes in financial assumptions	-11,930	33,443
Other experience	-6,724	-1,397
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-7,964	16,216
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	12,028	(12,058)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer contributions payable to the scheme	4,064	4,158

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

	2019/20 £000	2020/21 £000
Present value of the defined benefit obligation	-129,210	-166,093
Fair value of plan assets	90,063	114,888
Net liability arising from the defined benefit obligation	-39,147	-51,205

The present value of unfunded benefits is £925k (£845k 2019/20).

Reconciliation of the Movements in the Fair Value of Scheme Assets

Reconciliation of the Movements in the Fair Value of Scheme Assets

	2019/20 £000	2020/21 £000
Opening fair value of scheme assets	99,041	90,063
Interest income	2,351	2,080
<i>Remeasurement gain / (loss):</i>		
The return on plan assets, excluding the amount included in the net interest expense	-9,659	22,090
Contributions from employer	1,728	4,099
Lump sum prepayments	-	-
Contributions from employees into the scheme	617	675
Benefits paid	-4,015	-4,119
Closing fair value of scheme assets	90,063	114,888

The actual gain on scheme assets in the year was £24.046m (2019/20: loss £6.725m).

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

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

	2019/20 £000	2020/21 £000
Opening balance at 1 April	147,880	129,210
Current service cost	4,307	3,517
Interest cost	3,582	2,969
Contributions from scheme participants	617	675
<i>Remeasurement (gains) and losses:</i>		
Actuarial (gains) / losses arising from changes in demographic assumptions	-4,888	1,854
Actuarial (gains) / losses arising from changes in financial assumptions	-11,930	33,443
Other	-6,724	-1,397
Past service cost - including curtailments	381	-
Benefits paid	-4,015	-4,178
Closing balance at 31 March	129,210	166,093

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £166.093m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall pensions reserve balance of £51.205m. 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 2022 are £3.817m. 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. In 2020/21 the Council declined the opportunity to pay lump sum deficit payments in advance. Expected contributions for the Discretionary Benefits Scheme in the year to 31 March 2022 are £59k.

Local Government Pension Scheme Assets Comprised

Local Government Pension Scheme Assets Comprised								
Asset Category	31 March 2020				31 March 2021			
	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
Debt Securities:	-	-	-	-	-	-	-	-
Corporate bonds (investment grade)	10,020	-	10,020	11%	12,960	-	12,960	11%
Corporate bonds (non-investment grade)	216	-	216	0%	286	-	286	0%
UK Government	1,654	-	1,654	2%	1,470	-	1,470	1%
Other	249	-	249	0%	441	-	441	0%
Private Equity:	-	-	-	-	-	-	-	-
All	-	297	297	0%	-	587	587	1%
* Real Estate:	-	-	-	-	-	-	-	-
UK Property	5,003	1,599	6,602	7%	5,562	1,711	7,273	6%
Overseas Property	-	465	465	1%	-	538	538	0%
Investment Funds and Unit Trusts:	-	-	-	-	-	-	-	-
Equities	-	57,280	57,280	64%	-	76,232	76,232	67%
Bonds	7,125	-	7,125	8%	8,363	285	8,648	8%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	181	181	0%	-	584	584	1%
Other	-	5,028	5,028	6%	-	2,641	2,641	2%
Derivatives:	-	-	-	-	-	-	-	-
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	19	-	19	0%	28	-	28	0%
Other	9	-	9	0%	8	-	8	0%
Cash and Cash Equivalents:	-	-	-	-	-	-	-	-
All	1,041	-	1,041	1%	3,192	-	3,192	3%
Totals	25,336	64,851	90,187	100%	32,310	82,578	114,888	100%

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

* The emergence of a global pandemic in March 2020 resulted in property valuations presented together with a material uncertainty clause for valuations as at 31 March 2020. For valuations as at 31 March 2021 there is no material uncertainty clause.

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:

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Assumptions		
	2019/20	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.7	21.9
Women	23.9	24.3
Longevity at 65 for future pensioners:		
Men	22.4	22.9
Women	25.3	26.0
Rate of inflation	1.9%	2.9%
Rate of increase in salaries	2.2%	3.2%
Rate of increase in pensions	1.9%	2.9%
Discount rate	2.3%	2.0%

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 2021		
	Estimated % increase to Employer Liability	Estimated monetary amount £000
0.5% decrease in Real Discount Rate	10%	16,374
1-year increase in member life expectancy	3-5%	*
0.5% increase in the Salary Increase Rate	1%	1,439
0.5% increase in the Pension Increase Rate	9%	14,606

*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 March 2021.

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 £3.817m to the scheme in 2021/22.

35. External Audit Costs

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

External Audit Costs		
	2019/20 £000	2020/21 £000
External audit services carried out by the appointed auditor for the year	40	45
Change in scope of 2020/21 audit - Value for Money	-	15
Additional costs for audit of 2019/20	-	29
Total External Audit Costs	40	89

36. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21 and 2019/20:

Grant Income, Contributions and Donations		
	2019/20	2020/21
	£000	£000
Total Non Ringfenced Government Grants		
MHCLG - New Homes Bonus Scheme	1,726	1,331
MHCLG - New Burdens	8	8
Government Covid Grants	-	5,847
Other Non Ringfenced Government Grants	82	41
Total Non Ringfenced Government Grants	1,816	7,227
Capital Grants & Contributions:-		
Better Care Fund	455	339
Homes England Grant	443	173
CCG Health Through Warmth	200	200
Warm Homes Fund	786	568
Heritage Lottery Fund	591	-
Green Homes LADS	-	440
Canal	-	737
Other Capital Grants and Contributions	478	7
Total Capital Grants & Contributions	2,953	2,463
Total Grants and Contributions Credited to Services		
DWP Housing Benefit Grant	18,094	16,926
DWP Discretionary Housing Payments / In & Out of Work	74	78
DWP Housing Benefit Administration Grant	294	279
MHCLG Flexible Homelessness Support Grant	105	154
MHCLG Business Rate Collection	172	155
GCC Recycling Credits	1,016	1,001
Refuse Collection Credits	-	38
Brimscombe Port	-	910
Government Covid Grants	-	36
Other LA Covid Grants	-	256
CT Hardship Grant		629
Other Grants and Contributions	519	743
Total Grant and Contributions Credited to Services	20,274	21,206
Total Government Grants and Third Party Contributions	25,043	30,895

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 2020/21 and 2019/20 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 2020/21, 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 2020/21 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 or 31 March 2021.

39. Contingent Assets

The Council has lodged a claim for overpaid postage VAT of up to £0.65m as at 31 March 2021.

40. Covid-19 Government Funding

The response and recovery for Covid-19 has significantly increased pressure on Council services. In recognition additional funding has been made available from Government. This funding has assisted the Council to support local residents and businesses.

For some of this funding the Council has acted as an agent, passporting grants to businesses and support to individuals in accordance with government guidelines. These payments and grant income have not been included in the Comprehensive Income and Expenditure Statement.

Some of the grant income has not yet been recognised, as the income has conditions attached that have not yet been met at the balance sheet date and which could require the funding to be returned to Government.

The additional sums received from Government in relation to Covid-19 are as follows:
Please note that this does not include additional Section 31 grants in relation to Government mandated business rates reliefs.

Covid-19 Government Funding

	£000	£000
Credited to Services		
Reopening of the High Streets (ERDF funding)	36	
Council Tax Hardship Fund	<u>629</u>	
		665
Credited to Taxation and Non Specific Grant Income		
Covid-19 LA Support Grant	1,486	
Sales, Fees and Charges	1,322	
Tax Income Guarantee	120	
BID Support	31	
Discretionary Business Grants	1,340	
Test and Trace Support Payments (Discretionary)	39	
Local Restrictions Support Grant (Open)	466	
Additional Restrictions Grants	741	
New Burdens Funding	<u>302</u>	
		<u>5,847</u>
Total Included in Comprehensive Income and Expenditure Statement		6,512
Acting as agent on behalf of Government		
Small Business Grants	17,570	
Retail, Hospitality and Leisure Business Grants	7,905	
Test and Trace Support Payments (Main Scheme)	59	
Local Restrictions Support Grant (Closed)	99	
Local Restrictions Support Grant (Sector)	2	
Christmas Support Payments (Wet Led Pubs)	57	
Local Restrictions Support Grant (Closed Addendum)	5,153	
Closed Business Lockdown Payments	<u>3,522</u>	
		34,367
Grant income received but not yet recognised <i>(held on balance sheet as Government creditor)</i>		
Test and Trace Support Payments (Discretionary)	56	
Additional Restrictions Grants	2,724	
Test and Trace Support Payments (Main Scheme)	21	
Local Restrictions Support Grant (Closed)	15	
Local Restrictions Support Grant (Closed Addendum)	2,430	
Closed Business Lockdown Payments	<u>1,797</u>	
		7,043
Grant income to be returned to Government <i>(held on balance sheet as Government creditor)</i>		
Small Business Grants	20	
Retail, Hospitality and Leisure Business Grants	45	
Christmas Support Payments (Wet Led Pubs)	<u>13</u>	
		78
Grant income recognised but not yet received <i>(held on balance sheet as Government debtor)</i>		
Sales, Fees and Charges	-476	
Tax Income Guarantee	<u>-120</u>	
		-596
Total grant income received 2020/21		47,404

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

2019/20			2020/21
£000			£000
Income			
-21,203	Dwelling rents	6	-20,993
-261	Non-dwelling rents	8	-220
-1,285	Charges for services and facilities		-1,217
-167	Transfers from General Fund		-200
-347	Contribution towards expenditure		-292
-23,264	Total income		-22,922
Expenditure			
4,239	Repairs and maintenance		4,455
5,136	Supervision and management		4,261
2,017	Special services		2,073
5,958	Depreciation, impairment and revaluation	11	5,299
149	Increased provision for bad or doubtful debt	10	138
17,500	Total expenditure		16,226
-5,764	Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		-6,696
275	HRA share of corporate and democratic core		321
-5,489	Net cost of HRA services		-6,375
HRA share of operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:			
-1,376	Gain (-) or loss on sale of HRA non-current assets	13	-798
3,380	Interest payable and similar charges		3,379
-178	HRA interest and investment income		-27
320	Pensions interest cost and expected return on pensions assets		231
-	Capital grants and contributions receivable		-173
-3,344	Surplus (-) / deficit for the year on HRA services		-3,763

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

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Movement on the Housing Revenue Account Statement

2019/20 £000		2020/21 £000
-3,386	Balance on the HRA at 1 April	-4,430
-3,344	Surplus (-) / deficit for the year on the HRA Income and Expenditure Statement	-3,763
2,470	Adjustments between accounting basis and funding basis under regulations	1,839
-874	Net increase (-) or decrease before transfers to or from reserves	-1,924
-170	Transfers to or from reserves	1,743
-1,044	Increase (-) or decrease in year on HRA	-181
-4,430	Balance on the HRA at 31 March	-4,611

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

2019/20 £000		2020/21 £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)	-41
	- Capital grants and contributions receivable	173
1,376	Gain or loss (-) on sale of HRA non-current assets	798
-365	HRA share of contributions to or from the Pensions Reserve	-81
446	Capital expenditure funded by the HRA	402
6,973	Transfer to / from (-) Major Repairs Reserve	5,887
-5,963	Transfer to / from (-) the Capital Adjustment Account	-5,299
2,470	Net additional amount required to be credited (-) or debited to the HRA balance for the year	1,839

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												
2019/20						2020/21						
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
1,256			-10		1,246	Bungalows	1,246	-1				1,245
1,485	-1		-4	12	1,492	Flats	1,492	-1			2	1,493
2,220	-20		-		2,200	Houses	2,200	-8			8	2,200
14					14	Maisonettes	14					14
40	-1				39	Shared ownership	39		-1		2	40
5,015	-22	-	-14	12	4,991	Total Housing Stock	4,991	-10	-1	-	12	4,992

The Council was responsible for managing an average of 4,991 dwellings during the year. 10 dwellings were sold under the right-to-buy legislation, with 1 shared ownership other dwelling sale, compared to a total of 22 sales in the previous year. There were 12 dwellings added mainly through property purchases. The value of the additions and other disposals is shown as part of the 'Movement in HRA fixed assets' table as 'development sites'. The table below summarises movements in stock during the year.

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

Movement in HRA Fixed Assets							
<i>Figures in £000s</i>	Balance 1 April 20	Additions in year	Disposals	Revaluation	Depreciation and impairment	Transfers	Balance 31 March 21
Operational assets							
Council dwellings	267,106	5,949	-730	6,844	-5,863	1,540	274,846
Community assets	23						23
Development sites	3,272	1,222				-1,540	2,954
Other land and buildings	5,264			12	-24		5,252
Non-operational assets							
Asset held for sale	20		-20				-
Total Net Fixed Assets	275,685	7,171	-750	6,856	-5,887	-	283,075

In 2020/21 the Council Dwelling stock was revalued and increased in value by £6.844m (revaluation increase of £6.930m, plus £5.863m depreciation reversal, less capital spend of £5.949m; increase of £5.574m in 2019/20).

2. Vacant Possession Value of Dwellings

The open market vacant possession of dwellings including land within the HRA at 31 March 2021, at March 2021 prices, is £785m (March 2020 £763m). The value of dwellings net of the social element factor (35%) is £275m. The difference of £510m 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.

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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	
2019/20	2020/21
£000	£000
-4,951 Balance at 1 April	-4,520
-6,973 Transferred in	-5,887
6,504 Financing of Capital expenditure	4,442
900 Contribution towards repayment of debt	-
-4,520 Balance at 31 March	-5,965

4. Capital Expenditure

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

Funding HRA Capital Expenditure											
Spend 2019/20	Financing 2019/20				Capital schemes	Spend 2020/21	Financing 2020/21				
	Capital receipts	Capital grants	Borrowing	Revenue funding			Capital receipts	Capital grants	Borrowing	Revenue funding	
					Figures in £000s						
6,504	-	-	-	6,504	Major Works Programme	4,436	-	-	-	-	4,436
1,219	1,219	-	-	-	New Build and Development	2,293	1,336	196	761	-	-
446	-	-	-	446	Sheltered Housing Modernisation	442	15	22	-	-	405
8,169	1,219	-	-	6,950	Total capital expenditure	7,171	1,351	218	761	-	4,841

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	
2019/20	2020/21
£000	£000
2,466 Council house sales	1,496
-28 Less: Cost of sales	-12
588 Other receipts	64
3,026 Total capital receipts	1,548
-367 Less: Pooled receipts paid to Government	-555
2,659 Total usable capital receipts	993

6. Rent Income

This is the total dwelling rent collectable for the year after allowance for empty property. At 31 March 2021 there were 214 vacant properties for rent representing 4.3% of the total (on 31 March 2020 the figures were 93 and 1.9%). The average weekly rent at 31 March 2021 was £83.62, an increase of £2.59, or 3.1%, 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 £326k in respect of former tenants, has increased by £11k (1.5%). See also note 10.

Analysis of rent arrears	
2019/20 £000	2020/21 £000
38 Court costs	33
375 Current rent arrears	389
324 Former tenant arrears	326
737 Gross arrears at 31 March	748

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 £0.771m at 31 March 2021 (£0.665m at 31 March 2020).

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 2020/21. 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 £5.863m (£5.713m in 2019/20).

The depreciation charge has been written back to the Net Cost of HRA Services, along with capital additions of £5.949m (£6.687m in 2019/20).

The debit of £5.299m to the HRA Income and Expenditure Statement includes upwards revaluations of properties of £0.537m, of which £0.113m was transferred to the revaluation

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reserve (upwards revaluations of £7.162m, of which £6.423m was transferred from the revaluation reserve in 2019/20), write back of capital additions for dwellings of £5.949m (£6.687m in 2019/20) and a net nil depreciation.

Depreciation, Impairment and Revaluation	
2019/20	2020/21
£000	£000
-7,162 Revaluation	-537
6,423 Revaluation - revaluation reserve	-113
-739	-650
-5,713 Depreciation write-back	-5,863
6,687 Capital additions - write back	5,949
5,713 Depreciation	5,863
- Derecognition	-
5,947 Balance at 31 March	5,299

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

2019/20				notes	2020/21		
Business rates £000	Council tax £000	Total £000			Business rates £000	Council tax £000	Total £000
-	-81,907	-81,907	Income		-	-85,274	-85,274
-29,349		-29,349	Council tax receivable	16			
			Net rates payable by ratepayers	18	-19,965		-19,965
			Expenditure				
			Apportionment of previous year surplus / deficit (-)				
-118	-	-118	Central Government		141	-	141
229	187	416	Stroud District Council		82	-11	71
300	836	1,136	Gloucestershire County Council		-2	-50	-52
-	154	154	Gloucestershire Police and Crime Commissioner		-	-10	-10
			Precepts / shares				
14,089	-	14,089	Central Government		14,471	-	14,471
11,271	9,189	20,460	Stroud District Council		11,577	9,573	21,150
2,818	57,287	60,105	Gloucestershire County Council		2,894	60,600	63,494
-	11,092	11,092	Gloucestershire Police and Crime Commissioner		-	11,588	11,588
-	3,918	3,918	Parish and Town Councils		-	4,248	4,248
			Charges to collection fund				
584	-	584	Less: Write-offs / Write-ons (-) of uncollectable amounts		40	-	40
262	80	342	Less: Increase / decrease (-) in bad debt provision		1,271	691	1,962
-741	-	-741	Less: Increase / decrease (-) in provision for appeals		1,242	-	1,242
155	-	155	Less: Cost of collection		155	-	155
-	-	-	Interest		-	-	-
-250	-1	-251	Less: Transitional protection payments		205	-1	204
251	-	251	Less: Disregarded amounts		1,352	-320	1,032
-499	836	337	Surplus (-) / deficit for the year		13,463	1,035	14,498
-350	-771	-1,122	Balance at 1 April		-849	65	-785
-849	65	-785	Balance at 31 March		12,614	1,100	13,713

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

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 to local authorities, and the government of council tax and non-domestic rates shows the transactions of the billing council in relation to the collection from taxpayers and distribution.

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 2020/21 was calculated as follows:

Council Tax Base			
Band	Estimated number of properties after effect of discounts	Ratio	Band D equivalent dwellings
DISR A	15.31	5/9	8.51
A	4,650.96	6/9	3,100.64
B	9,756.89	7/9	7,588.69
C	10,775.16	8/9	9,577.92
D	7,514.97	9/9	7,514.97
E	6,322.42	11/9	7,727.40
F	3,826.24	13/9	5,526.79
G	2,404.78	15/9	4,007.97
H	223.75	18/9	447.50
	<u>45,490.48</u>		<u>45,500.39</u>
Less: Adjustment for collection rate (1%)			<u>-455.01</u>
Council Tax Base			<u>45,045.38</u>

16. Council Tax Income

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

Income from Council Tax		
	2019/20	2020/21
Total council tax base (see note 15)	44,281.65	45,045.38
Multiplied by average band D tax rate (see note 17)	£1,840.18	£1,909.40
	£000	£000
Total property income	-81,486	-86,010
Add: Transitional relief	1	1
Add: Other adjustments	-422	735
Income from Council Tax	-81,907	-85,274

17. Council Tax Rates

Council Tax Rates by Precepting Body and Band									
Precepting body	Band								
	disr A	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£	£
District council	118.07	141.68	165.29	188.91	212.52	259.75	306.97	354.20	425.04
County council	747.40	896.88	1,046.36	1,195.84	1,345.32	1,644.28	1,943.24	2,242.20	2,690.64
Police authority	142.92	171.50	200.08	228.67	257.25	314.42	371.58	428.75	514.50
Average parish	52.39	62.87	73.35	83.83	94.31	115.27	136.23	157.18	188.62
Total	1,060.78	1,272.93	1,485.09	1,697.24	1,909.40	2,333.71	2,758.02	3,182.33	3,818.80

(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 2020/21, Stroud's local share is 40% with the remainder due to Central Government (50%) and Gloucestershire County Council (10%).

The net business rates for 2020/21 were estimated before the start of the year at £28.9m (£11.577m to Stroud, £2.894m to Gloucestershire County Council and £14.471m to Central Government). In addition, a share of the estimated collection fund surplus from 2019/20 of £220k has been charged to the collection fund and distributed according to the relevant shares. Stroud's share of the estimated surplus received was £82k.

Net Rates Payable by Ratepayers		
	£000	£000
	2019/20	2020/21
Gross rates payable by ratepayers	38,104	39,872
<i>Less:</i>		
Transitional relief	-250	205
Mandatory reliefs	-6,720	-6,996
Unoccupied property relief	-956	-1,281
Discretionary reliefs (unfunded)	-248	-201
Discretionary reliefs (funded through s31 grant)	-581	-11,634
Total cost of reliefs	-8,755	-19,907
Net Rates Payable by Ratepayers	29,349	19,965

Net rates payable is then adjusted for estimates of uncollectable debts, appeals provisions and any sums directly allocated to authorities to give a total non-domestic rating income in 2020/21 of £15.700m (£29.088m in 2019/20).

The significant decrease in income is the result of discretionary reliefs as a result of the Covid-19 pandemic (as shown in the table above) and increases in bad debt provision and provisions for appeals (as show in the main collection fund statement). There has also been an increase in year of “disregarded” amounts related to renewable energy generation. These sums are directly allocated to authorities and are not part of the general sharing of business rates. In 2020/21 this was £1.352m (£993k Gloucestershire County Council, £359k Stroud District Council). The equivalent figure in 2019/20 was £251k (all Stroud).

This reduction in income has had a material impact on the carried forward collection fund balance.

For 2020/21, the total non-domestic rateable value at the year-end is £80.829m (£81.74m in 2019/20). The national multipliers for 2020/21 were 49.9p for qualifying Small Businesses, and the standard multiplier being 51.2p for all other businesses (49.1p and 50.4p respectively in 2019/20).

19. Business Rate Net Share

The income credited to the Comprehensive Income and Expenditure Statement for business rates is £4.33m (2019/20 £4.829m). This comprises as follows:

Net Share from Business Rates		
	£000	£000
	2019/20	2020/21
SDC local share	11,271	11,577
Add: Share actual prior year deficit / surplus (-)	-198	-334
Less: Share of estimated prior year surplus	229	82
Less: Share of current year deficit (-) / surplus	334	-5,045
	11,636	6,280
Less: Tariff payment to Government	-7,850	-7,978
Levy	-1,424	-928
Add: Section 31 grant	1,675	1,593
Section 31 grant - related to Covid Support		4,619
Renewable energy schemes	251	359
Net income from business rates	4,288	3,945
Add: Gloucestershire BR pool surplus / deficit (-)	542	386
Net income from business rates	4,829	4,330

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 2020/21 are as follows:

Share of Collection Fund		
	£000	£000
	Council tax	Business rates
Stroud District Council	-176	-5,045
Gloucestershire County Council	-776	-1,261
Gloucestershire Police	-148	-
Central Government	-	-6,307
Total surplus / deficit (-)	-1,100	-12,614

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

The significant deficit related to Business Rates is a result of Covid-19 reliefs provided through Business Rates Holidays. These reliefs have been funded by Grants from Central Government. Although Stroud District Council has a Collection Fund deficit of £5.221m, which will be reclaimed from the General Fund in future years, a compensating earmarked reserve is being held of £5.621m to ensure there is no impact on revenue budgets.

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Appendix A

21. Council tax and Business Rate Provision for Bad Debts

A Council Tax provision was made during 2020/21 amounting to £691k (2019/20 £80k). This was calculated using CIPFA Guidelines. The total amount of the provision at 31 March 2021 is £939k and represents 20% of the £4.666m debt outstanding (£355k, 15% and £2.365m at 31 March 2020).

The Business Rate provision for bad debts is £1.662m and represents 67% of the £2.471m outstanding amount (£391k, 71% and £547k at 31 March 2020). There has been a significant increase in the level of arrears as a result of Covid-19 and the provision has therefore been increased accordingly.

Independent Auditor's Report

Keep clear for audit opinion

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Appendix A

Keep clear for audit opinion

Keep clear for audit opinion

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Appendix A

Keep clear for audit opinion

Glossary

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

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

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Appendix A

	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)	<p>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.</p> <p>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.</p>
Curtailment	<p>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:</p> <p>Termination of employees' services earlier than expected, for example as a result of discontinuing a segment of business.</p> <p>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.</p>
Depreciation	Charges reflecting the decline in the value (not cost) of assets as a result of their usage or ageing.
Estimate	Often used instead of the word <i>budget</i> , and is a forecast of income and expenditure for the year.
Forecast	An <i>estimate</i> of income and expenditure in a financial year.
Gloucestershire Business Rates Pool (GBRP)	Set up to maximise business rates income retained within the county. Currently, Gloucestershire County, Cheltenham Borough, Cotswold District, Forest of Dean District, Gloucester City and Stroud District councils.
General Fund	The account that records and finances Council <i>revenue</i> expenditure, other than <i>HRA</i> .
Housing Revenue Account (HRA)	A separate statutory account dealing with the <i>revenue</i> income and expenditure arising from the provision of Council-owned and managed dwellings.
IAS 19	International Accounting Standard 19 <i>Employee Benefits</i> is the accounting requirement as regards pensions that local authorities

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

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Appendix A

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 <i>capital</i> nature such as general running costs including salaries and capital financing costs.
Revenue Support Grant (RSG)	A grant paid by or to central government to or from local authorities to support general <i>revenue</i> expenditure and not for specific services.
Right-to-Buy (RTB)	Legislation allows tenants of local council dwellings to buy their property, at a discount, after a qualifying period as local council tenants. The net income from the sale is a <i>capital receipt</i> .
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	<p>An irrevocable action that relieves the employer (or defined benefit scheme) of the primary responsibility for the pension obligation and eliminates risks relating to the obligation and the assets used to effect the settlement. Settlements include:</p> <p>A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits,</p> <p>The purchase of an irrevocable annuity contract sufficient to cover vested benefits, and</p> <p>The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.</p>
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 <i>actual</i> expenditure is less than the <i>budget</i> .

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.....
.....

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

Thank you

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STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

28 SEPTEMBER 2021

Report Title	1ST QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2021/22			
Purpose of Report	To provide an update on treasury management activity as at 30/06/2021.			
Decision(s)	The Audit and Standards Committee ACCEPTS the treasury management activity first quarter report for 2021/2022.			
Consultation and Feedback	Link Asset Services (LAS).			
Report Author	Maxine Bell, Senior Accounting Officer Tel: 01453 754134 E-mail: maxine.bell@stroud.gov.uk			
Options	None			
Background Papers	None			
Appendices	A – Prudential Indicators as at 30 June 2021 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 quarter 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).

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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 first quarter 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 2021/22
 - A review of the Council's borrowing strategy for 2021/22
 - A review of compliance with Treasury and Prudential Limits for 2021/22.
 - Other Treasury Issues

Treasury Management Strategy Statement and Investment Strategy update

4. The TMSS for 2021/22 was approved by Council on 25th February 2021. 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 2021-22 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. A breakdown of the Council's investment portfolio as at 30 June 2021 is shown in Table 3 of this report.
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 2021/22

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 quarter is shown in the table 1 below.
9. LIBID/LIBOR benchmarks have been subject to a review convened by the Bank of England and as part of that process they will be withdrawn in the near future. The Council will consult with Link to select appropriate benchmarks for internally managed specified investments and a separate benchmark(s) for Property Fund/Multi-Asset Funds. These benchmarks will be included in the Treasury Strategy when the changes are implemented.

TABLE 1: Average Interest Rate

	Period	Investment Interest Earned £	Average Investment £m	Rate of Return
Internally Managed Specified		26,439	26,439	0.181%
Property Fund / Multi- Asset Fund	01/04/2021 - 30/06/2021	71,990	10.00	2.88%
TOTAL		98,429	36,439	3.06%

TABLE 2: Funds Performance – Quarter 1 2021-22

Fund	Initial Investment £m	Value as at 30/06/2021 £m	Return Apr - Jun 2021
Lothbury	4.000	3.940	2.79%
Hermes	2.000	2.012	3.40%
TOTAL PROPERTY FUNDS	6.000	5.952	3.00%
Royal London	3.000	3.175	2.49%
CCLA	1.000	1.049	3.43%
TOTAL MULTI-ASSET FUNDS	4.000	4.224	2.72%
TOTAL FUND INVESTMENTS	10.000	10.176	2.88%

10. The approved limits as set out in the Treasury Management Strategy report to Council 25th February 2021 within the Annual Investment Strategy were not breached during the first 3 months of 2021/22, with the exception of Barclays which has breached the limit through the re-investment of interest and is in the process of being resolved.
11. 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

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(i.e. funds that potentially could be invested for more than one year). The Council has invested £10m into Property and Multi-Asset Funds with the objective of longer term investments improving the overall rate of return in future years.

12. Table 3 below shows the investments and borrowing position at the end of June 2021.

TABLE 3: Investments & Borrowing

	Jun 2021 £'000	
Aberdeen	3,042	
Federated Prime Rate	33	
Money Market Funds Total		3,075
Lloyds	7,985	
Lloyds Banking Group Total		7,985
-		
NatWest	64	
Royal Bank of Scotland	3,007	
RBS Banking Group Total		3,071
Standard Chartered	2,000	
Santander	7,994	
Barclays Bank Plc	8,008	
Svenska Handelsbanken	14	
Dudley Metropolitan Council	1,000	
Thurrock District Council	2,000	
North Lanarkshire	3,000	
Goldman Sachs	8,000	
Qatar National Bank	3,000	
Other Banks Total		35,016
Coventry Building Society	4,500	4,500
TOTAL INVESTMENTS		£53,647
Lothbury	4,000	
Hermes	2,000	
TOTAL PROPERTY FUNDS		£6,000
-		
RLAM	3,000	
CCLA	1,000	
TOTAL MULTI ASSET FUNDS		£4,000
PWLB	102,717	
TOTAL BORROWING		£102,717

External Borrowing

13. The Council's Capital Financing Requirements (CFR) for 2021/22 is £111.330m. 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 £102.717m as at 30 June 2021.

Compliance with Treasury and Prudential Limits

14. 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.
15. During the period to 30 June 2021 the Council has operated within treasury limits (subject to the technical breach noted in paragraph 10) 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

16. Financial Implications

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

Lucy Clothier, Accountancy Manager
Email: lucy.clothier@stroud.gov.uk

17. Legal Implications

There are no specific legal implications arising from this report and its recommendations.

Sarah Farooqi, Head of Law
Email: legalservices@onelegal.org.uk

18. Equality Implications

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

19. Environmental Implications

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

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Prudential Indicator	2021/22 Indicator £'000	Actual as at 30-Jun-21 £ '000
Capital Finance Requirement (CFR)	121,834	111,330
Gross Borrowing	102,717	102,717
Authorised Limit for external debt	143,000	102,717
Operational Boundary for external debt	138,000	102,717
Principal Sums invested > 365 days	15,000	10,000
Maturity structure of borrowing limits		
Under 12 months	25%	0%
12 months to 2 years	50%	2%
2 years to 5 years	75%	0%
5 years to 10 years	100%	0%
10 years and above	100%	98%

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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 2021 strategy with actual gross borrowing as at 30 June 2021.

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 £111.330m provides the Council with the opportunity to borrow if appropriate. £11,990m of borrowing is planned for 2021/22 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 2021 to 30 June 2021.

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 2021 to 30 June 2021.

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.

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STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

28 SEPTEMBER 2021

Report Title	INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2021/22			
Purpose of Report	To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2021/22.			
Decision(s)	The Committee resolves to note: a) The progress against the Internal Audit Plan 2021/22; and b) 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	Piyush Fatania Head of Audit Risk Assurance Tel: 01452 328883 Email: piyush.fatania@gloucestershire.gov.uk			
Options	There are no alternative options that are relevant to this matter.			
Background Papers	None.			
Appendices	Appendix A – Internal Audit Activity Progress Report 2021/22 The following appendices contain exempt information by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local government Act 1972 and a resolution may be passed to exclude the public during consideration of these items: Appendix B – Summary Audit Report Appendix C – Full OOH Audit Report			
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 2021/22 at the [27th April 2021 Audit and Standards Committee meeting](#).
- 1.2 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.

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2.0 MAIN POINTS

2.1 The Internal Audit Activity Progress Report 2021/22 at Appendix A summarises:

- I. The progress against the Internal Audit Plan 2021/22, including the assurance opinions on the effectiveness of risk management and control processes;
- II. The outcomes of the Internal Audit activity up to August 2021; and
- III. Special investigations/counter fraud activity.

2.2 The report is the first progress report in relation to the Internal Audit Plan 2021/22.

3.0 CONCLUSION

3.1 The purpose of this report is to inform the Committee of Internal Audit work undertaken to date, and the assurances given on the adequacy and effectiveness of the Council's control environment. Completion of the Internal Audit Activity Progress Reports ensures compliance with the PSIAS, the [Council Constitution](#) and [the Audit and Standards Committee Terms of Reference](#).

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 2021/22 are scheduled to be presented to the Audit and Standards Committee at the 30th November 2021, 8th February 2022, 26th April 2022 and July 2022 (specific date to be confirmed) meetings.

4.0 IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising directly from this report.

Lucy Clothier, Accountancy Manager
Email: financial.imp@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
Email: Legal.services@onelegal.org.uk

4.3 Equality Implications

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

4.4 Environmental Implications

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

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Internal Audit Activity Progress Report

2021/22



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Appendix A

(1) Introduction

All Councils 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 Council's Internal Audit service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Stroud District Council, Gloucester City Council and Gloucestershire County Council. ARA 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 operations.

The Internal Audit service is delivered 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 Council 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. 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 PSIAS is that the Head of ARA should provide progress reports on Internal Audit activity to those charged with governance. This report summarises:

- I. The progress against the 2021/22 Risk Based Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
- II. The outcomes of the 2021/22 Internal Audit activity delivered up to August 2021; and
- III. Special investigations/counter fraud activity.

(4) Progress against the 2021/22 Internal Audit Plan, including the assurance opinions on risk and control

The schedule provided at **Attachment 1** provides the summary of 2021/22 activities 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 2021/22 Internal Audit Plan activity undertaken during the financial year to date. This 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 activity outcomes have been presented to the Audit and Standards Committee. Explanations of the meaning of the assurance opinions are shown below.

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, customer/partners, and staff. All key risks are accurately reported and monitored in line with the Council's Risk Management Policy.	<ul style="list-style-type: none"> • 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, customer/partners, and staff. However some key risks are not being accurately reported and monitored in line with the Council's Risk Management Policy.	<ul style="list-style-type: none"> • 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, customer/partners and staff.	<ul style="list-style-type: none"> • 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.

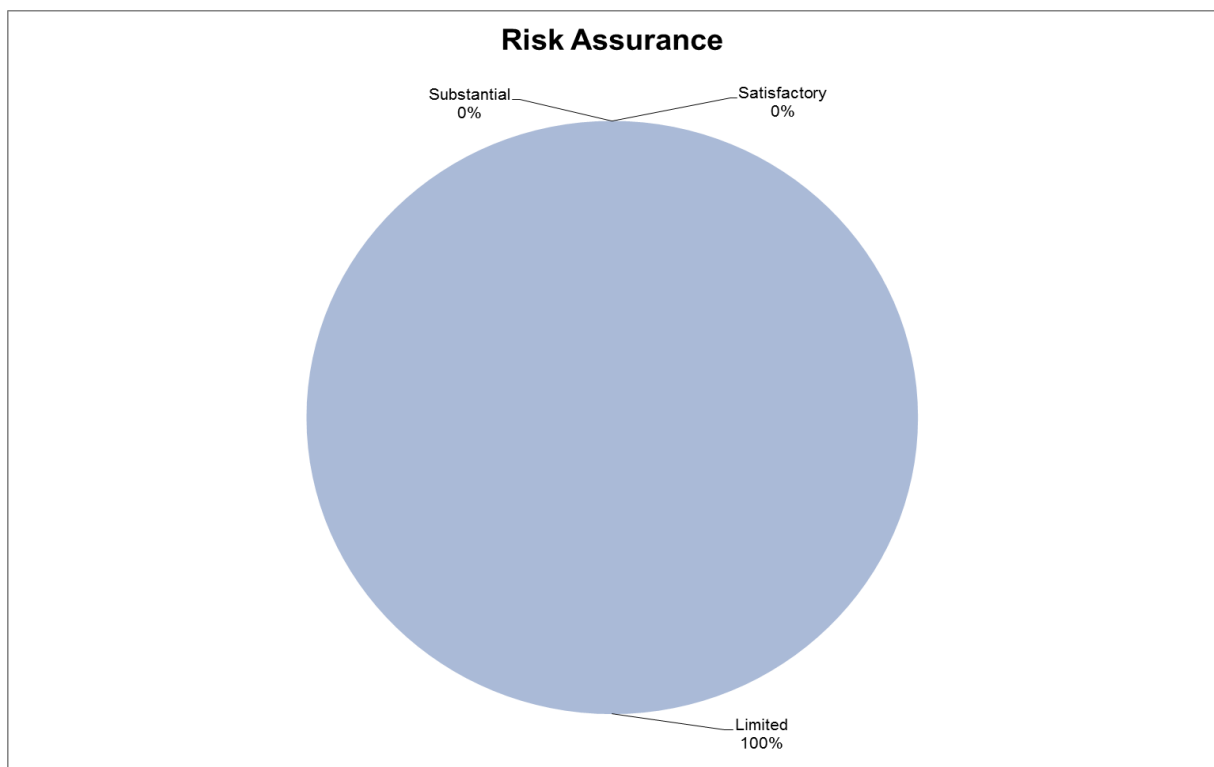
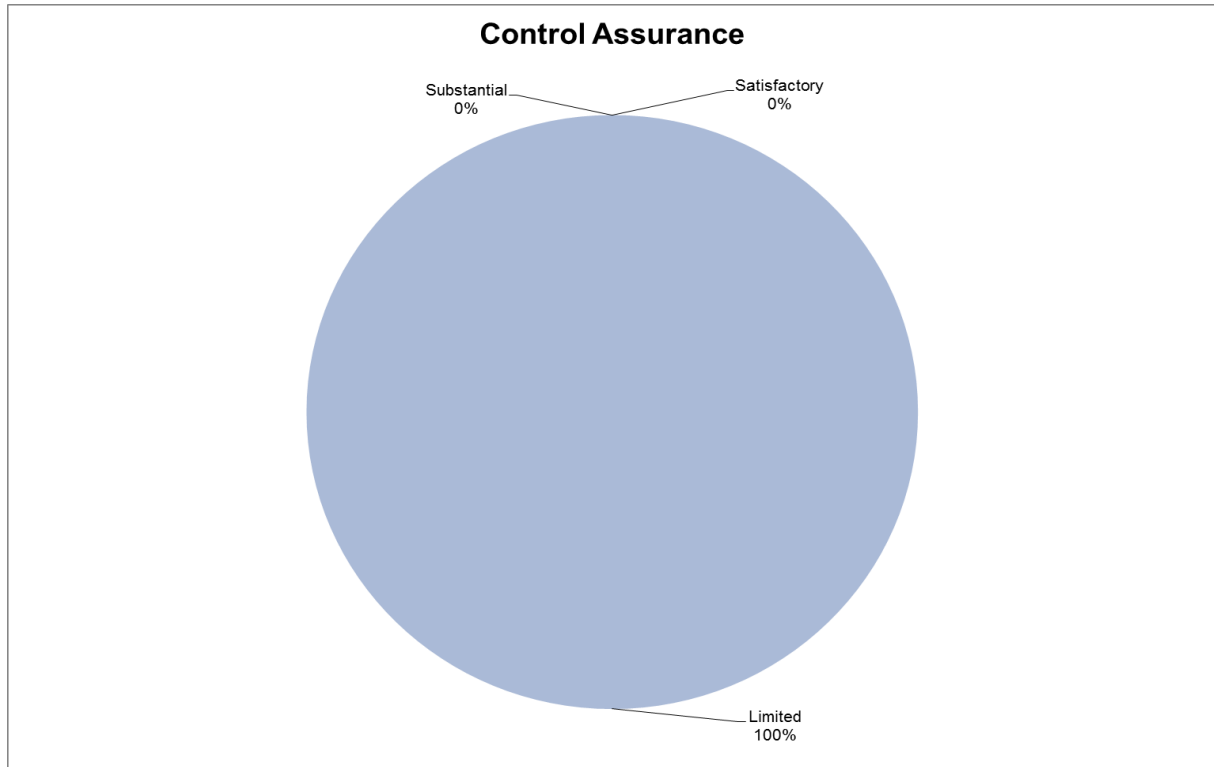
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Appendix A

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

The below pie charts show the summary of the risk and control assurance opinions provided in relation to the 2021/22 audit activity undertaken up to August 2021.

It is noted that the majority of ARA activity delivered to August 2021 has not generated an audit opinion, due to being a grant or consultancy review. This position has impacted the below pie chart content.



(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 the period up to August 2021, one limited assurance opinion on control has been provided on an exempt report from the 2021/22 Internal Audit Plan.

(4d) Satisfactory Control Assurance Opinions

Where audit activities record that a satisfactory assurance opinion on control has been provided and 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 the period up to August 2021, Internal Audit made a total of **31** recommendations to improve the control environment. **13** of which were high priority and **18** which were medium priority recommendations.

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 the period up to August 2021, one limited assurance opinion on risk has been provided on an exempt report from the 2021/22 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.

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Completed 2021/22 Internal Audit Activity up to August 2021

Summary of Consulting Activity, Grant Certification and/or Support Delivered where no Opinions are provided

Service Area: Resources

Audit Activity: Lost Sales, Fees and Charges Grant Claim - Three

Background

Covid 19 has impacted councils' ability to generate revenues in several service areas as a result of lockdown, government restrictions and social distancing measures. This new, one-off income loss scheme compensates councils for irrecoverable and unavoidable losses from sales, fees and charges generated in the delivery of services in the financial year 2020/21.

The scheme involves a 5% deductible rate, whereby councils absorb losses on 5% of their planned 2020/21 sales, fees and charges. The government will then compensate them for 75 pence in every pound of relevant loss thereafter. The grant scheme is co-ordinated by the Ministry of Housing, Communities and Local Government (MHCLG) and is submitted via three claims each covering four consecutive calendar months.

The scheme also requires a reconciliation process to be completed by the Council after the submission of the third claim. This process is due to account for losses claimed for in the early part of the scheme that may ultimately be recoverable, and others that might ultimately be irrecoverable when recoverability was originally considered possible. The reconciliation process has not taken place to date (August 2021) and the Council await further MHCLG guidance on the area.

Scope

To review the grant submission and supporting documentation for the period December 2020 to March 2021, with the objective of assessing compliance with the MHCLG guidance.

Key Findings

The grant claim for December 2020 to March 2021 totalled £475,838. The claim and supporting documentation were reviewed, and it was confirmed that:

- I. All 2020/21 budget financial values for service income had been correctly recorded on the grant claim as documented in the Council's Financial Management System;
- II. The net losses for the grant period matched to the information within the Council's Financial Management System and had been calculated correctly in accordance with the MHCLG guidance;

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- III. The parameters set out in the formula for the scheme have been correctly applied to the applicable losses claimed for in this period;
- IV. A reconciliation of the sales, fees and charges claimed for the financial year 2020/21 was correctly performed and appropriate amendments made to the December 2020 to March 2021 claim;
- V. The December 2020 to March 2021 grant claim was reviewed and approved / certified by the Strategic Director of Resources on 28th May 2021 as accurate, reasonable and made in accordance with the MHCLG guidance stated principles. The grant claim was submitted to MHCLG the same day; and
- VI. The first (April to July 2020) and second (August to November 2020) grant claims totalling £845,963 have been paid by MHCLG to the Council. MHCLG payment of the third grant claim is due in September 2021.

Conclusion

Internal Audit can confirm that the Lost Sales, Fees and Charges grant claim for the period December 2020 to March 2021 complied with the guidance issued by MHCLG.

Management Actions

No management actions required specific to claim three.

Service Area: Resources

Audit Activity: ICT Service Desk

Background

Stroud District Council are in the process of implementing a new service desk solution, one element of the ongoing overarching ICT Infrastructure Project. The ICT Service Desk is a key element of service operation, providing a single central point of contact for all ICT service users. Service desk staff execute incident management and request fulfilment processes to restore normal operations or to manage requested changes. Service desks manage both incidents and routine requests.

Scope

The review assessed the processes and controls to manage the ICT Service Desk against the Information Technology Infrastructure Library (ITIL) framework.

It was recognised that the new service desk solution had been recently introduced at the time of the review therefore both the current functionality and future planned developments were considered. Due to this confirmed position, the review was undertaken as a consultancy review with a goal to provide advice and guidance.

Key Findings

The service desk go live date was 11th February 2021.

The Service Fresh service desk solution is supported by Freshservice. Regular meetings are held between nominated Council and Freshservice senior officers to review helpdesk performance, product adoption and the achievement of goals (including identified shared goals).

The functionality of the service desk is still being developed with specific areas (Incident Management, Hardware and Access Request Fulfilment, Problem Management and Change Management being) confirmed as fully operational. The asset management functionality of the service desk solution was in development at the point of ARA review.

Service desk requests are categorised using the ITIL service desk process categorisations, although a number of these had been aggregated as Service Requests rather than being separately identified and reported.

An assessment process is in place for all service desk requests that includes:

- I. Categorisation of the request (hardware, software or connectivity);
- II. Request prioritisation; and
- III. Responsible Accountable Consulted Informed (RACI) assessment. The RACI assessment identifies the person responsible for the task, the person accountable for the task, anyone who needs consulting and stakeholders that need to be informed.

A draft service level agreement (SLA) has been prepared and this needs to be completed and released to the Council to ensure that service desk users are aware of the target response and resolution times that they can expect their service desk request to be addressed within. The SLA includes targets for response times and resolution times by priority and request type. Request originators receive an automated response advising them that their request has been received and are advised when their request has been resolved.

The service desk has received 2,423 requests since the launch date with 2,275 of these (93.9%) having been resolved with only 148 requests (6.1%) unresolved at the time of the ARA review.

The monthly performance reviews undertaken with Freshservice include a review of the average resolution time taken for service requests and service incidents by priority and Agent Group. The Agent Group is the ICT Team resolving the request. This performance reporting does not include the time taken to respond to a request, only the resolution time, and does not report performance against the service targets detailed within the SLA. Once the SLA has been finalised and released, performance reporting will need to be against the detailed performance targets detailed within the SLA.

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Customer satisfaction with the service desk during the first six months of operation has been very high with 97% of users being satisfied with the performance and only one user assessing the service desk performance as poor.

Conclusion

ARA review has confirmed that the ICT Service Desk processes and controls in place comply with the ITIL best practice guidance for service desk operation. It is noted that a number of the separate ITIL defined processes have been aggregated within the Service Request category.

Six Medium priority recommendations have been made to support the continued ICT Service Desk positive direction of travel and strengthen the internal controls in place:

- I. To complete and release the draft SLA;
- II. To implement performance reporting against the SLA targets;
- III. To review those incident requests currently recorded as 'problem' so that these can either be closed or linked to other open requests. For example, where they relate to multiple service desk requests relating to the same incident;
- IV. To analyse service requests where response and resolution times have been significantly outside of targets to identify the root causes for the delays;
- V. To widen the service catalogue to enable identification and reporting of service desk requests by ITIL categories; and
- VI. To establish the service desk performance to the first six months of operation, for use as a baseline for future performance comparison.

Management Actions

Management have responded positively to the recommendations made.

Summary of Special Investigations/Counter Fraud Activities

Current Status

The Counter Fraud Team (CFT) within Internal Audit has received two referrals in 2021/22 to date. In addition, the CFT continues to work on one case brought forward from last year (Covid 19 grant related). All cases remain under review and will be reported to the Audit and Standards Committee on their completion.

Any fraud alerts received by Internal Audit from the National Anti-Fraud Network (NAFN) and other credible entities are passed onto the relevant service areas 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 Covid 19 grant applications. This area of activity continues, with updates provided to the Council where relevant.

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data matches in respect of the 2021/22 exercise were released in mid January 2021 and the matches are now available for review.

The timetable can be found using the following link [GOV.UK](https://www.gov.uk).

Examples of data sets include 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 always investigated but where possible, all recommended matches are reviewed by either Internal Audit, the appropriate service area within the Council or by procuring the services of the Counter Fraud Unit (CFU).

ARA has been advised that the CFU have been employed to undertake some of the match reviews on behalf of the Council. The CFU findings will be separately reported to the Audit and Standards Committee.

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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 20/21 plan.
Council Wide	Risk Management	1	Review in Progress				The activity replaces the previously deferred 'risk and performance reporting' review.
Council Wide	Business Continuity Lessons Learned	1	Planned				
Transformation and Change	Fit for the Future	1	Planned				
Place	Private Sector Housing (Empty Homes) - Limited Assurance Follow Up	1	Planned				
Place	Canal Project Budget Management	1	Planned				
Place	Planning Applications	1	Audit in Progress				Brought Forward from 20/21 plan. To be reported to Audit and Standards Committee in November 2021.
Place	Planning Service	1	Audit in Progress				New activity. To be reported to Audit and Standards Committee in November 2021.
Resources	Carbon Neutral 2030	1	Planned				Brought Forward from 20/21 plan.
Resources	Creditors - Limited Assurance Follow Up	1	Planned				
Resources	Procurement and Contract Management Follow Up	1	Planned				
Resources	ICT Service Desk	1	Final Report Issued	Not Applicable	Not Applicable	28/09/2021	Brought Forward from 20/21 plan.
Resources	ICT Infrastructure Strategy	1	Planned				Brought Forward from 20/21 plan.
Resources	Council Tax	2	Planned				
Resources	Grant Payments - Post Payment Assurance	1	Review in Progress				
Resources	Green Homes Grant Local Authority Delivery Scheme - Phase 1a	1	Audit in Progress				
Resources	Green Homes Grant Local Authority Delivery Scheme - Phase 1b	1	Audit in Progress				New activity. Second phase.
Resources	Lost Sales, Fees and Charges - Claim Three	1	Final Report Issued	Not Applicable	Not Applicable	28/09/2021	
Resources	Purchase Cards	2	Planned				
Resources	Social Housing Decarbonisation Fund Demonstrator	1	Planned				
Resources	Test and Trace Support Scheme - Main Scheme	1	Audit in Progress				
Resources	Test and Trace Support Scheme - Discretionary Scheme	1	Planned				New activity.
Resources	Facilities Management	2	Planned				
Resources	Compliance with Gov Standards	1	Audit in Progress				
Resources	Incident Management Process	1	Planned				
Resources	Change Management Process	1	Planned				
Resources	Disaster Recovery and Business Continuity - Limited Assurance Follow Up	1	Planned				
Communities	Tenant Engagement	1	Planned				
Communities	Anti-social Behaviour Management	1	Planned				Brought Forward from 20/21 plan.
Communities	Electrical Works Contract - Limited Assurance Follow Up	1	Planned				
Communities	Stratford Park Leisure Centre	1	Audit in Progress				Brought Forward from 20/21 plan.
Communities	Cleaner Estates Strategy (Refuse)	2	Planned				
Communities	Housing Advice	1	Planned				
Communities	Housing Revenue Account (HRA) Delivery Plan	1	Planned				
Communities	Safeguarding	1	Planned				
Communities	Voids Management	1	Audit in Progress				Change from priority 2 to priority 1, following 21/22 in year risk assessment update.
Exempt	Exempt	1	Final Report Issued	Limited	Limited	28/09/2021	

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STROUD DISTRICT COUNCIL**AUDIT AND STANDARDS COMMITTEE****28 SEPTEMBER 2021****WORK PROGRAMME**

Meeting Date	Report Description	Responsible Officer / Member
28 September 2021	Standing Items a. To consider the work programme for 2021/22. b. To consider any Risk Management issues.	Members
	Counter Fraud Unit Update	Counter Fraud Manager
	1 st Quarter Treasury Management Activity Report 2021/22	Principal Accountant
	Internal Audit Activity Progress Report 2021/22	Chief Internal Auditor
	Annual Audit Letter	S151 Officer
	Audited Statement of Accounts	Principal Accountant
30 November 2021	Standing Items a. To consider the work programme for 2021/22. b. To consider any Risk Management issues.	Members
	Internal Audit Activity Progress Report 2021/22.	Chief Internal Auditor
	Half Year Treasury Management Report 2021/22.	Principal Accountant
	Procurement	Senior Policy and Governance Officer
8 February 2022	Standing Items a. To consider the work programme for 2021/22. b. To consider any Risk Management issues.	Members
	Review of the Effectiveness of the Audit and Standards Committee	Group Manager
	Internal Audit Activity Progress Report 2021/22.	Chief Internal Auditor
	Annual Governance Statement 2020/21	Chief Internal Auditor
	Treasury Strategy	Principal Accountant
26 April 2022	Standing Items a. To consider the work programme for 2021/22. b. To consider any Risk Management issues.	Members
	Risk Based Internal Audit Plan 2022/23	Group Manager
	Internal Audit Activity Progress Report 2021/22.	Chief Internal Auditor
	Annual Report of the Audit and Standards Committee	Chair
	Counter Fraud Unit Update and Annual RIPA/IPA Update	Counter Fraud Manager
	Final Policy for The use of internet/social media in investigations and enforcement	Counter Fraud Manager
	3 rd Quarter Treasury Management Activity Report 2021/22.	Principal Accountant

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