



# Public Document Pack STROUD DISTRICT COUNCIL

Council Offices • Ebley Mill • Ebley Wharf • Stroud • GL5 4UB  
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16 September 2022

## AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **TUESDAY, 27 SEPTEMBER 2022** 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.

If you wish to attend this meeting, please contact [democratic.services@stroud.gov.uk](mailto:democratic.services@stroud.gov.uk). This is to ensure adequate seating is available in the Council Chamber.

### AGENDA

1. **APOLOGIES**  
To receive apologies of absence.
2. **DECLARATION OF INTERESTS**  
To receive declarations of interest.
3. **MINUTES (Pages 3 - 10)**  
To approve the minutes of the meeting held on 19 July 2022.
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 Wednesday, 21 September 2022**

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](mailto:Democratic.services@stroud.gov.uk)

5. **INTERNAL AUDIT PROGRESS REPORT 2022/23 (Pages 11 - 28)**  
To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2022-23.

6. **TREASURY MANAGEMENT QUARTER 1 REPORT (Pages 29 - 36)**  
To provide an update on treasury management activity as at 30/06/2022.
7. **STATEMENT OF ACCOUNTS 2021-2022 (Pages 37 - 144)**  
This report provides an opportunity to publicly consider the Statement of Accounts 2021-2022 ahead of the official audit opinion from Deloitte in November.
8. **ANNUAL AUDIT LETTER (Pages 145 - 176)**  
To inform Members of the External Audit activity progress.
9. **CORPORATE RISK REGISTER UPDATE (Pages 177 - 186)**  
To consider the Corporate Risk Register, including recent updates
10. **LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN - ANNUAL REVIEW 2021/22 (Pages 187 - 196)**  
To report the receipt of the Local Government and Social Care Ombudsman's (LGO) Annual Review for 2021/22 which gives the total number of complaints and enquiries received by the LGO with regard to Stroud District Council.
11. **STANDING ITEMS**  
(a) To consider the Work Programme for 22 / 23 (Pages 197 - 198)
12. **MEMBER QUESTIONS**  
See Agenda Item 4 for deadlines for submission.

#### **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 Steve Robinson  
Councillor Rich Wilsher



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## AUDIT AND STANDARDS COMMITTEE

19 July 2022

8.00 - 9.56 pm

Council Chamber

Minutes

### Membership

**Councillor Nigel Studdert-Kennedy (Chair)**

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

\*= Absent

**Councillor Martin Percy (Vice-Chair)\***

Councillor Keith Pearson  
Councillor Steve Robinson  
Councillor Rich Wilsher

### Officers in Attendance

Strategic Director of Resources  
Head of Audit Risk Assurance  
Monitoring Officer  
Democratic Services & Elections Officer

Principal Accountant  
Principal Auditor  
Head of Service Counter Fraud and  
Enforcement Unit

### ASC.001 Apologies

The Chair informed the committee that the meeting had been moved to a later start time due to the extreme heat forecasted.

Councillor Davies objected to the change of start time for the meeting.

Councillor Kay thanked the Officers for the delayed start time.

An apology for absence was received from Councillor Percy.

### ASC.002 Declaration of Interests

There were none.

### ASC.003 Minutes

Councillor Hurst identified an error on page 9 where turn over should read 'turnover'.

**RESOLVED That the Minutes of the meeting held on 26 April were approved as a correct record.**

## **ASC.004    Public Question Time**

There were none.

## **ASC.005    Corporate Risk Register Update**

The Strategic Director of Resources introduced the report and explained that the risk register had recently been overhauled and the controls had been rewritten. It would now be brought to every Audit and Standards Committee meeting. He provided a further updated them that 3 new strategic risks had been added to the risk register which included:

- High levels of inflation.
- Staff wellbeing and mental health.
- Cyber-attack.

The Strategic Director of Resources gave the following responses to questions from Councillors:

- The risks were graded by the Lead Officer who weighed up the significance of the risk against its likelihood.
- It was agreed that the risk management toolkit would be shared with Members outside of the meeting, which explained how risks were graded based on their probability and severity.
- There was a large amount of work underway with regard to the inflation risk. This involved modelling different rent levels for the Housing Committee and investigating the repairs and new build services to anticipate effects.
- The budget monitoring process would raise any additional costs caused by inflation. Currently the biggest change in cost was with the contractor Ubico due to the increase in the cost of fuel.
- The staff wellbeing and mental health risk was added due to the increased knowledge of staff wellbeing within the Council and its importance to the corporate priorities.

In response to Councillor Davies the Strategic Director of Resources confirmed that the new risk management system was currently being procured. They had a shortlist of contracts which were being assessed.

It was confirmed to the Chair that on page 22 the Covid Pandemic risk had been reviewed but the review date had not yet been updated.

The Chair, Councillor Studdert-Kennedy proposed and Councillor Pearson seconded.

After being put to a vote, the Motion was carried unanimously.

### **RESOLVED To accept and note:**

- a) The actions taken to update the Corporate Risk Register**
- b) The current Corporate Risk Register at appendix B**

2022/23

**ASC.006 COUNTER FRAUD AND ENFORCEMENT UNIT REPORT AND REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 2000 / INVESTIGATORY POWERS ACT (IPA) 2016 UPDATE**

The Head of Service, Counter Fraud and Enforcement Unit (CFEU) introduced the report and explained that it consisted of an overview of the delivery from the service. She updated the committee on the following:

- They had changed their name to Counter Fraud and Enforcement Unit to further define their remit.
- Part 2 of the report explained the work completed with the Revenues and Benefits Team. This consisted of assisting with the National Fraud Initiative data matching exercises which included investigating anomalies with council tax accounts. The work had resulted in increased revenue of £38,000 which had increased to £46,500 since the report was written.
- Work with the Housing team with the Tenancy and Fraud referrals.
- Annual update regarding RIPA and IPA activities.

In response to Councillors questions, the Head of Service CFEU gave the following answers:

- Page 27 – The Civil Penalty for misrepresentation of single person occupancy was legally set at £70 however this fine would increase to £280 for multiple offences by the same individual. They would also seek to recover the lost income due to the misrepresentation.
- Page 28 referred to a centralised register of activity where all surveillance applications were recorded.
- Single person discount anomalies should continue to decline due to better management of the data. Benefit fraud had increased during the pandemic however there was also a rise in claims for universal credit.

Councillor Pearson raised a query whether it still stated on the Council Tax bills that it was an offence to claim single person discount if you no longer lived alone. The Head of Service CFEU agreed to look into this and ensure the information was prevalent enough and displayed the warning.

The Chair, Councillor Studdert-Kennedy proposed and Councillor Hurst seconded.

After being put to a vote, the Motion was carried.

**RESOLVED To welcome the report and comment as necessary.**

**ASC.007 Use of the Internet and Social Media in Investigations and Enforcement Policy**

The Head of Service CFEU introduced the report and explained that this policy was for the use of social media and the internet for investigative purposes to ensure that staff were not considered to be undertaking surveillance without appropriate approval. She further informed the committee that there was a procedural document that went alongside this policy which dictated who was responsible for what and when it could be used.

In response to Councillor Kay, the Head of Service CFEU confirmed that this policy would cover all Officers within the Council and specifically those who were involved with

## Agenda Item 3

2022/23

enforcement. She further confirmed that each time an investigation was launched and social media was used to investigate, it would first require the correct approval and then be recorded in the correct way.

The Monitoring Officer confirmed that there would be training for all Officers which would be rolled out following the adoption of this policy.

In response to Councillor Hurst, the Head of Service CFEU confirmed that she could include a monitoring report as part of the annual report to Audit and Standards Committee which reported on this policy.

Councillor Robinson shared concerns with the report and questioned whether it would record who had carried out the investigation and why. It was confirmed that it would record those details as well as who had authorised the investigation, but those records would be sealed for the duration of the investigation.

In response to Councillor Davies, the Head of Service CFEU confirmed that it was public information they would be accessing on social media and to access anything other than public information they would need to adhere to the related surveillance procedures and legislation.

Councillor Davies proposed and Councillor Kay seconded.

After being put to a vote, the Motion was carried unanimously.

### **RESOLVED To:**

- a) **Approve and adopt the Use of Internet and Social Media in Investigations and Enforcement Policy as attached at appendix 1;**
- b) **Authorise the Monitoring Officer to approve future minor amendments to the Policies in consultation with the Counter Fraud and Enforcement Unit.**

### **ASC.008 Treasury Management Outturn 2021/2022**

The Principal Accountant introduced the report and explained that when the report was created the interest rate forecast was due to remain at 0.1% until the end of the year. In actuality it ended on 0.75% and had since further increased to 1.25%. He drew the committee's attention to the following key points:

- Page 42 of the reports pack showed the treasury activity table which provided an overview of the year. No borrowing had been repaid which was why it remained unchanged.
- Page 43 of the reports pack showed in detail the borrowing of the Council which extended out until 2066. There was a £2m loan due to be repaid in the current financial year.
- Page 44 of the reports pack showed the return on investments.
- Appendix A on Page 47 of the reports pack showed the short-term temporary investments.
- Page 49 of the reports pack detailed the longer-term investments.
- Page 55 of the reports pack provided an economic summary for the financial year which discussed the impacts of Covid 19, inflation, the war in Ukraine and the rising interest rates.

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Councillor Hurst questioned the loan that was repayable and queried whether it was taken out on an interest only basis. The Principal Accountant confirmed that was correct. The interest was paid off throughout the duration of the loan and then the lump sum was to be repaid at the end of the term.

Councillor Davies questioned the increase of £11.7m shown on page 42. The Principal Accountant confirmed that they had a lot more available to invest at the time that it was recorded.

Councillor Wilsher proposed and Councillor Hurst seconded.

After being put to a vote, the Motion was carried unanimously.

**RECOMMEND To APPROVE the treasury management activity annual report TO COUNCIL for 2021/2022 and the actual Prudential Indicators.**

### **ASC.009      Information Sheet - Planning Enforcement**

Councillor Pearson raised a question with page 69 of the reports pack where it stated that 12 out of 30 complaints were compliant. The Head of Audit Risk Assurance confirmed that 12 of the complaints were compliant because they followed the correct processes.

In response to Councillor Davies the Head of Audit Risk Assurance confirmed that there was another report due to come to the Audit and Standards committee which would address the communication piece with Town and Parish Councils regarding planning and enforcement. This report was due to come to the September Committee.

Councillors debated at length the need for a Planning Officer to attend the meeting in order to answer any questions raised.

The Head of Audit Risk Assurance confirmed that there was a follow up piece of work around Planning Enforcement which was due to come to Audit Committee in the near future. The Strategic Director of Resources confirmed that there would be a Planning Officer attending the meeting in order to assist with the follow up report however, a date had not yet been set for the report to come to Committee.

### **ASC.010      Internal Audit Annual Report 2021/22**

The Head of Audit Risk Assurance introduced the report and explained the salient points to the committee which included:

- Section 1 consisted of the introduction, background and requirements of the report.
- Section 2 showed the overall opinion which was acceptable (low to medium risk profile).
- Section 3 set out the code of ethics.
- Sections 4 and 5 provided the key messages from the work completed in 2021-2022 and included comments from the Counter Fraud Team.
- Section 6 concluded the report, the Audit Team had delivered 90% of the Internal Audit Plan against a target of 85%.

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The Head of Audit Risk Assurance wished to extend his thanks to the Audit Risk Assurance team who had worked diligently throughout the year and for the support received from Members and Officers throughout the Council.

The Chair also offered thanks to the Audit Risk Assurance team for their work.

It was agreed to amend the decision box point a to read 'Confirms that it has received reasonable assurance...'

In response to Councillor Wilsher, the Strategic Director of Resources confirmed that there were risk management champions within each service area who were responsible for updating their services risk. The strategic risks were then assessed by the Strategic Leadership Team on a quarterly basis.

In response to Councillors the Strategic Director of Resources explained that the Annual Report consisted of the Head of Audit Risk Assurance overview and assessment of the councils' controls. The Annual Progress report was completed by external auditors to give an opinion if the Statement of Accounts was fair and true which is why it was more detailed.

Councillor Baker questioned the change in risk maturity level as shown on page 81 of the reports pack. The Head of Audit Risk Assurance confirmed that it was previously set by managers and this year had been set by an independent review.

Councillor Davies proposed and Councillor Baker seconded.

After being put to a vote, the Motion was carried unanimously.

### **RESOLVED To:**

- a) **Confirm that it has received 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 2021/22.**

### **ASC.011     Audit and Standards Committee Annual Report 2021/22**

The Head of Audit Risk Assurance introduced the report and explained that this was the Chair of the committee's report. It had however been refreshed since last year which is why it looked a little different. He further explained that the report provided independent assurance that the Council as a whole had effective governance, risk management, internal control arrangements and an effective internal and external audit service.

Councillor Kay proposed and Councillor Davies seconded.

After being put to a vote, the Motion was carried.

### **RESOLVED     **To agree the Annual Report of the Chair of the Audit and Standards Committee 2021/22; and****



**RECCOMEND That the Annual Report 2021/22 be approved.  
TO COUNCIL**

**ASC.012     Annual Governance Statement 2021/22**

The Head of Audit Risk Assurance introduced the report and explained the salient points of the report which included:

- Section 1 set out the legislative background.
- Section 2 set out the Code of Corporate Governance.
- Section 3 described how the council reviewed the effectiveness of its governance framework.
- Section 4 provided a brief update on governance issues reported in the previous financial year.
- Section 5 provided an opinion on the councils' governance arrangement which stated that they had maintained an appropriate governance framework.
- Section 6 detailed the risks the council needed to be aware of such as cyber resilience and financial resilience.
- Section 7 was the certification page which had since been signed by the Chief Executive and the Leader of the Council.
- Appendix A showed pictorial representation of the council's framework.

Councillor Robinson proposed and Councillor Baker seconded.

After being put to a vote, the Motion was carried unanimously.

**RESOLVED To:**

- i. **Review and approve the Annual Governance Statement and the actions planned by the Council to further enhance good governance arrangements; and**
- ii. **Agree that an update on actions taken to address the governance issues identified will be provided the February 2023 Audit and Standards Committee meeting.**

**ASC.013     Internal Audit Progress Report 2021/22**

The Head of Audit Risk Assurance introduced the report and explained that there had been a number of audits completed since the last committee meeting. He then drew the committees attention to the following:

- Pages 126-127 of the reports pack contained charts which showed the overall assurance levels.
- Page 128 of the reports pack contained details of the additional audit work which was added to the Internal Audit Plan.
- Page 30 onwards of the reports pack contained the summaries, most of which were assurance work with 1 follow up item.

In response to Councillor Pearson's question on page 134 of the reports pack, the Strategic Director confirmed that out of the 14 recommendations only 6 had been fully implemented. He further explained this was due to several improvements being made to the service which changed the way the risk was managed effectively voiding the original recommendations.

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Councillor Davies questioned the reports that had been cancelled on pages 143-144 and requested that it be amended to say deferred. The Principal Auditor explained that there had been additional pieces of work added to the plan which needed to be accommodated.

It was agreed for the Chair to discuss with the Head of Audit Risk Assurance and the Strategic Director of Resources to amend the terminology and come back to the committee.

Councillor Baker commended the work of the Green Homes Grant on page 139.

Councillor Davies proposed and Councillor Pearson seconded and commended the Audit Team.

Councillor Pearson commended the Audit Team.

After being put to a vote, the Motion was carried unanimously.

### **RESOLVED To:**

- i. The progress and final position on the Internal Audit Plan 2021/22; and**
- ii. The assurance opinions provided in relation to the effectiveness of the Council's control environment.**

### **ASC.014    To consider the Work Programme for 22 / 23**

The Chair advised the issues that the Statement of accounts 2021/22 was missing from the work programme.

The Strategic Director of Resources confirmed that Audited Statement of Accounts would be brought to the November committee. He further confirmed that a Draft Statement of Accounts would be brought to the September Committee.

Councillor Davies raised the points earlier in the meeting that it was agreed to bring the Planning report on Town and Parish Council communication to the September committee.

### **ASC.015    Member Questions**

There were none.

The meeting closed at 9.56 pm

Chair

## STROUD DISTRICT COUNCIL

## AUDIT AND STANDARDS COMMITTEE

27 SEPTEMBER 2022

<b>Report Title</b>	<b>INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2022-23</b>			
<b>Purpose of Report</b>	To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2022-23.			
<b>Decision(s)</b>	<b>The Committee resolves to:</b> <b>a) Accept the progress against the Internal Audit Plan 2022-23; and</b> <b>b) Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment (comprising risk management, control and governance arrangements).</b>			
<b>Consultation and Feedback</b>	Internal Audit findings are discussed with Service Heads and Managers. Management responses to recommendations are included in each assignment report.			
<b>Report Author</b>	Piyush Fatania, Head of Audit Risk Assurance (ARA) Tel: 01452 328883 Email: <a href="mailto:piyush.fatania@gloucestershire.gov.uk">piyush.fatania@gloucestershire.gov.uk</a>			
<b>Options</b>	There are no alternative options that are relevant to this matter.			
<b>Background Papers</b>	None.			
<b>Appendices</b>	Appendix A – Internal Audit Activity Progress Report 2022-23 Appendix B - Spreadsheet for Internal Audit Progress Report			
<b>Implications (details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	No	No	No	No

**1. INTRODUCTION**

- 1.1 Members agreed the Stroud District Council [Internal Audit Plan 2022-23](#) on 26<sup>th</sup> April 2022.
- 1.2 In accordance with the [Public Sector Internal Audit Standards \(PSIAS\) 2017](#), this report details the outcomes of Internal Audit work carried out in accordance with the agreed Plan.

**2. MAIN POINTS**

- 2.1 The Internal Audit Activity Progress Report 2022-23 at **Appendix A** summarises:
- i. The progress against the Internal Audit Plan 2022-23;
  - ii. The outcomes of the 2022-23 Internal Audit activity delivered up to August 2022; and
  - iii. Special investigations and counter fraud activity.
- 2.2 The report is the first report in relation to the Internal Audit Plan 2022-23.

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### 3. CONCLUSION

- 3.1 The report purpose 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](#).

### 4. IMPLICATIONS

#### 4.1 Financial Implications

There are no financial implications arising directly from this report.

Andrew Cummings, Strategic Director of Resources

Email: [andrew.cummings@stroud.gov.uk](mailto:andrew.cummings@stroud.gov.uk)

Risk Assessment:

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

#### 4.2 Legal Implications

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

Contact: One Legal

Tel: 01684 272691,

Email: [legalservices@onelegal.org.uk](mailto:legalservices@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 arising from the recommendations made within this report.



# **PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

## **SEPTEMBER 2022**

# Agenda Item 5

Appendix A

## 1. Introduction

- 1.1 The Council's Internal Audit service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Gloucestershire County Council, Stroud District Council and Gloucester City Council.
- 1.2 ARA provides these services in accordance with the Public Sector Internal Audit Standards 2017 (PSIAS) which represent the "proper Internal Audit practices". The standards define the way in which the Internal Audit service should be established and undertake its operations.
- 1.3 In accordance with the PSIAS, the Head of Internal Audit is required to regularly provide progress reports on Internal Audit activity to management and the Audit and Standards Committee. This report summarises:
  - i. The progress against the Internal Audit Plan 2022-23;
  - ii. The outcomes of the 2022-23 Internal Audit activity delivered up to August 2022; and
  - iii. Special investigations and counter fraud activity.
- 1.4 Internal Audit plays a key role in providing independent assurance and advice to the Council that these arrangements are in place and operating effectively. However, it should be emphasised that management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non-financial) and governance arrangements.

## 2. Summary of 2022-23 Internal Audit work delivered up to August 2022

- 2.1 The following Assurance criteria are applied to Internal Audit reports:
  - i. Substantial assurance – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;
  - ii. Acceptable assurance – all key controls are in place and working but there are some reservations in connection with the operational effectiveness of some key controls. The Council has a low to medium exposure to business risk;
  - iii. Limited assurance – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and
  - iv. No assurance – no key controls are in place, or no key controls are working effectively. The Council has a high exposure to business risk.

2.2 **Audit Activity: ICT Compliance with Government Standards (Service Area: Resources)**

- i. Assurance level for this report: Acceptable; and
- ii. Recommendations arising from this review have been prioritised as:

High Priority:	0
Medium Priority:	2
Low Priority:	1
Rejected:	0

2.3 **Scope** - This audit reviewed the IT Policies to determine what policies are in place and to identify any gaps in the policy framework.

2.4 **Key Findings**

- i The review identified that there is an appropriate ICT policy framework in place, although the Information Security (IS) Policy requires a refresh. However, there was limited knowledge within the team about the legislative framework and specifically how the various Acts and Regulations applied to their activities. It is important to note, that many of the regulations only apply in specific circumstances;

**Risk:** Inappropriate actions being taken resulting in non-compliance and possible fines or penalties;

**Recommendation:** IT staff acquire a working knowledge of the regulatory framework and how it applies to IT activities. Target date: November 2022.

- ii Aside from the IS Policy, all the policies in the framework were in the standard policy format, up to date and fit for purpose. These policies were the:

- Data Breach Policy, last reviewed in February 2021;
- Password Policy with supporting Password Construction Guidelines, last updated in June 2022; and
- Information Governance Policy, last updated in April 2021.

- iii The IS Policy does not include document management references, for example through an amendment history table. The policy is also not in the same standardised format as the other policies reviewed;

**Risk:** There is a risk that staff do not refer to the most recent IS Policy;

**Recommendation:** The IS Policy should be reviewed and updated. When produced, it should be in the standard policy format, and the review details be recorded within an amendment history table. Target date: November 2022.

## Agenda Item 5

Appendix A

### 2.5 Audit Activity: ICT Incident Management (Service Area: Resources)

- i. Assurance level for this report: Acceptable; and
- ii. Recommendations arising from this review have been prioritised as:

High Priority:	0
Medium Priority:	1
Low Priority:	1
Rejected:	0

### 2.6 Scope - The objectives of this review were to ensure adequate arrangements are in place:

- i. To identify ICT related incidents;
- ii. To log, categorise and prioritise ICT related incidents;
- iii. For investigating and resolving ICT related incidents; and
- iv. For closing ICT related incidents including any post incident review process.

### 2.7 Key Findings

- i. Council officers and Members report most incidents on the Freshservice cloud-based IT helpdesk and service management solution. This is accessed via the Council's intranet (The Hub) and a ticket with a unique reference is raised for each incident. When an incident is raised via another channel including phone call, email, or in person, the Service Desk team will log and assign a ticket on the Freshservice tool;
- ii. The Service Desk is the first line of ICT support for the Council. The Service Desk team perform a Level 1 triage and either address the incident or assign it to a Level 2 or 3 engineer, using the Freshservice tool;
- iii. An ICT Service Management Operating Model has been developed. This sets out the scope of services performed by the ICT Service Management team, the way in which it operates and its service targets. However, this document is still being developed and requires finalising to define:
  - The target times for the recovery of systems within the Disaster Recovery table;
  - The System Availability table to be populated; and
  - Contact telephone numbers to be added to the Major Incident Contact List;

**Risk:** ICT staff are not aware of service targets resulting in the failure to provide the desired level of service;

**Recommendation:** The ICT Service Management Operating Model document should be completed and finalised. Target date: September 2022.

- iv. An Incident Management Process Map has been developed detailing the actions to be followed to resolve incidents. However, this document lacks version control;



**Risk:** Inappropriate actions taken as a result of staff not following the most recent Incident Management Process Map;

**Recommendation:** Version control needs to be added to the Incident Management Process Map. Target date: September 2022.

- v. A Responsible, Accountable, Consulted, Informed (RACI) matrix has been developed for incident management. The use of a RACI matrix identifies roles and responsibilities of individuals and assigned tasks. This assists in eliminating confusion and drives accountability;
- vi. Incidents with an urgent or high priority undergo a post incident review process which includes lessons learned;
- vii. Freshservice has provided a set of best practice service level agreements (SLAs) that are based on the performance of their client base. The Council aspire to achieve this level of service. At the monthly ICT Leadership Team meetings, key metrics showing the performance of the Council against Freshservice benchmarks are presented. In addition, detailed comparatives over time are shown to demonstrate the on-going performance of the Service Desk Team. It is understood from ARA discussions that the Strategic Leadership Team (SLT) will receive Service Desk performance reports from July 2022.

## 2.8 **Audit Activity: Test and Trace Contain Outbreak Management Fund (COMF) Surge Funding Grant – Number (No.) 31/5518 (Service Area: Resources)**

- i Assurance level for this report: An assurance level is not required for this activity; and
- ii No recommendations arose from this review.

2.9 **Scope** - In May 2021, the Minister of State for the Department of Health and Social Care issued a COMF grant determination letter No. 31/5518. This was later updated on 6<sup>th</sup> May 2022. As part of the grant determination Stroud District Council (the Council) was awarded £121,374.40. The grant was to be used 'towards expenditure lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of coronavirus (COVID-19)'.

2.10 This audit reviewed whether the conditions of the grant determination had been complied with.

## 2.11 **Key Findings**

- i. The monitoring spreadsheet provided by the Head of Environmental Health identified £46,967 of expenditure against the grant. The expenditure covered the grant period 1<sup>st</sup> May 2021 to 30<sup>th</sup> June 2022;
- ii. Internal Audit reviewed all of the items of expenditure detailed on the monitoring spreadsheet. The results of the tests highlighted the following items of expenditure for exclusion from the declaration:

## Agenda Item 5

### Appendix A

- Three items of expenditure totalling £21,000 had not been invoiced by the supplier to the Council as of 30<sup>th</sup> June 2022. They should therefore be declared on the next return;
  - Two items of expenditure totalling £568 for folding tables and replacement lights for the Council markets did not comply with the activities that can be funded from the COMF grant; and
  - There was a small overclaim of £11 relating to the long COVID classes;
- iii. The revised expenditure total for the grant declaration for the period is £25,388;
- iv. The United Kingdom Health Security Agency (UKHSA) has confirmed that any underspent funds can be carried forward into 2022-23 and continue to be spent on COVID-19 related activities;
- v. Internal Audit has advised management to review the planned commitments (as detailed within the monitoring sheet) before payments are approved to ensure they comply with COMF guidance;
- vi. Based on discussions with officers and review of records, Internal Audit can confirm the conditions of the grant had been fulfilled for the revised expenditure total of £25,388. As such the COMF certification letter was signed and submitted to UKHSA by the 15<sup>th</sup> June 2022 deadline.

### 2.12 **Audit Activity: Test and Trace Support Payment Scheme (TTSPS) – Grant Certification (Service Area: Resources)**

- i Assurance level for this report: An assurance level is not required for this activity; and
- ii No recommendations arose from this review.

2.13 **Scope** – The Scheme was provided for via a succession of grant allocations. The 31/5104, 31/5309, 31/5385 and 31/5435 Grant Determinations covered the periods in 2020-21. The 31/5668, 31/5704, and 31/5789 Grant Determinations covered periods in 2021-22. Total funding received across the seven allocations amounted to £368,886.

2.14 Each Grant Determination provided three pots of funding. These were for Main payments, Discretionary payments and for administering the Scheme. The Main and Discretionary funds were to provide for financial support to those suffering hardship from being unable to work while self-isolating. Eligible applicants received a payment of £500.

2.15 The objective of this audit was to provide assurance that the conditions of the TTSPS Grant Determinations have been complied with. It should be noted that a previous Internal Audit tested the eligibility of recipients. The findings were presented to the Audit and Standards Committee in April 2022. This review considered the reasonableness of the administration costs and the accuracy of the cumulative claim.

## 2.16 Key Findings

- i. The Main (£234,000) and Discretionary (£201,000) costs were found to be accurate on the TTSPS returns to the Department of Health and Social Care. There was sufficient documentation to support this;
- ii. Government funding has been received in seven allocations to date. There is one allocation still outstanding. The date of payment is to be confirmed. This allocation will cover post January 2022 as well as settling any overspend incurred from the whole Scheme. The overspend totals £84,500 for the Main costs, £39,500 for the Discretionary costs and £22,343 for the administration costs;
- iii. The Grant Determination letters confirm that all actual Main costs and reasonable administration costs would be reimbursed in this final allocation. They were either not clear about Discretionary overspend or stated that it would not be covered. However, it has since been confirmed to Officers that actual Discretionary costs will also be reimbursed in the final allocation;
- iv. Internal Audit identified one figure within the return for the administration costs that had been overstated to the sum of £250. This sum will be adjusted within the final claim submission;
- v. The administration spend (£89,181) was determined to be reasonable, based on the following reviewed themes:
  - The administration costs varied throughout the Scheme dependant on the number of applications and the stage of the Scheme;
  - The ratio of administration costs against payments made to recipients matched the ratio of allocated funds; and
  - The start-up costs were less than those suggested by the Government;
- vi. No further testing of the eligibility of TTSPS recipients was deemed to be necessary. The sample size of the previous audit amounted to 9.5% of all successful applications. Although there was no sample testing post 31<sup>st</sup> January 2022, in the six months prior to this the sample tested showed 97.5% accuracy;
- vii. The Section 151 Officer (on behalf of the Chief Executive) and Head of ARA signed the certification letter in acknowledgement the £250 adjustment required. The declaration was submitted to the UKHSA by the 30th June 2022 deadline.

## 2.17 Audit Activity: Electrical Works Contract - Follow-up (Service Area: Communities)

- i. Assurance level for this report: Acceptable; and
- ii. There were two new recommendations arising from this review. These have been prioritised as:

High Priority:	1
Medium Priority:	1
Low Priority:	0
Rejected:	0

## Agenda Item 5

2.18 **Scope** – <sup>Appendix A</sup> The original audit report was issued in October 2020 and confirmed a Limited assurance opinion. This follow-up internal audit reviewed the position of the original ARA recommendations, to confirm if they had been fully implemented.

### 2.19 Key Findings

- i. The provision for electrical services was brought back in-house on 1<sup>st</sup> April 2021. Since then, the Heating and Electrical Manager (HEM) has found it difficult to employ appropriately qualified officers to undertake electrical inspections. This has caused delays in promptly completing electrical inspections and remedial work on its social housing tenanted properties by their due dates;
- ii. A total of five recommendations were made in the original ARA report and related to the management of the operational aspects of the electrical works service provision. Three recommendations have been fully implemented. Two recommendations have been partially implemented and are as follows:

- Review of all social housing tenant properties with an ‘unsatisfactory’ inspection status and complete prompt remedial works where appropriate.

At the last review Internal Audit identified 142 properties that had received an electrical inspection with an unsatisfactory result. Remedial work had not been completed, or the property asset management system record correctly updated. Audit review of the same properties electrical record within Keystone highlighted that 41 of these remain with an unsatisfactory result. Further work is therefore required to clear these cases and ensure that remedial work is promptly completed for all future unsatisfactory inspection results;

- Adopt the National Inspection Council for Electrical Installation Contracting (NICEIC) recommended electrical inspection interval of five years for private housing for the Council’s social housing stock.

NICEIC guidance for electrical inspection intervals is ten years for social housing and five years for private dwellings. Internal Audit recommended the Council should adopt the same inspection interval as for private dwellings. This would represent best practice and would further support a safe and more stringent health and safety culture for tenants. The HEM also supports the case and is currently in the process of completing a business case to senior management;

- iii. The operational risks for the electrical provision have not been documented on the Council’s risk register (Excelsis) to ensure their visibility and effective management. In addition, the risk appetite or tolerance relating to overdue electrical inspections and remedial work has not been documented;

**Risk:** Ineffective governance and risk management arrangements resulting in corporate objectives not being met, mismanagement of the service, poor service delivery leading to adverse publicity and loss of reputation;

**Recommendation:** A review of the electrical service provision should be undertaken to identify and formally document all of its key operational risks, risk owners and mitigating controls in Excelsis. Target date: August 2022;

In addition, the Council’s risk appetite should also be documented particularly relating to overdue electrical inspections and remedial work. Target date: August 2022; and

Once the above has been determined and documented any overdue electrical inspections and remedial work outside of the Council’s risk tolerance should be completed without delay. Target date: Ongoing.

- iv. The HEM is planning to introduce quality control checks on completed electrical inspections and remedial work completed by officers and contractor operatives. As at the time of this follow-up review these checks were still to be fully introduced;

**Risk:** Unsatisfactory electrical inspections are performed resulting in health and safety issues and possible manslaughter charges. Damage to the Council’s reputation;

**Recommendation:** Monthly quality control checks on completed electrical inspections and remedial work should be undertaken and the results of the reviews documented and stored on Keystone. Any identified issues should be promptly resolved. Target date: August 2022.

- v. Electrical inspections are not mandatory, unlike gas inspections. Therefore, it can prove difficult to gain access to a tenanted property to perform this work despite it being in the best interests of the tenant’s safety;
- vi. As of 31<sup>st</sup> May 2022, there were 106 properties with an overdue electrical inspection. This is an improvement compared to the January and February 2022 figures where approximately 200 properties were overdue an electrical inspection. The improvement is in part due to a new follow-up process introduced by the HEM to gain access to a social housing tenanted property. However, its effectiveness is still limited by bullet point v above.

**2.20 Audit Activity: Planning Applications - Consultations (notifications) with Town and Parish Councils (Service Area: Place)**

- i Assurance level for this report: Acceptable Assurance; and
- ii Recommendations arising from this review have been prioritised as:

High Priority:	0
Medium Priority:	3
Low Priority:	0
Rejected:	0

**2.21 Scope** – An audit of Planning Applications was undertaken as part of the 2021-22 Internal Audit plan. The findings were reported to the November 2021 Audit and Standards Committee (ASC). Upon receipt of the report, the ASC requested additional information and it was agreed that this work would be delivered as part of the 2022-23 Internal Audit plan.

**2.22** Internal Audit have reviewed the procedures and controls in place with regard to the consultation (notification) process for planning applications. In particular, where town and parish councils’ comment and they request conditions or modifications to

## Agenda Item 5

### Appendix A

applications, these have been considered, noted and included as appropriate when determining the application.

2.23 The Town and Country Planning (Development Management Procedure) (England) Order 2015 defines how a council must handle a planning application, including consultation. Article 25 and Schedule 4d states that parish and town councils should be consulted when 'development, in relation to which an application for planning permission has been made to the Secretary of State under section 293A of the 1990 Act (urgent Crown development: application) (a), where that development is likely to affect land in the area of the parish council'. In all other cases the Council should notify a council when an application is received that could affect land in the respective area. Article 33 states that the Council must 'take into account' any representations received as the result of publishing notice of an application.

### 2.24 Key Findings

- i. The Council have documented internal procedures to support the consistency of recording town or parish council comments made on planning applications. These sit within the Planning system, Idox Enterprise for Uniform System (Uniform). The guidance was created in June 2021 and was last reviewed in January 2022;
- ii. A report from Uniform for the period 1st April 2021 to 31st March 2022 identified 2,333 notifications with town or parish councils. Responses received in respect of these totalled 1,643;
- iii. In total 40 planning applications, during March 2021 to March 2022, from a range of 25 town or parish councils were selected for audit review. Overall, there was a transparent record within the case officer's (decision-making) report of:
  - The town or parish response (captured either in full or appropriately summarised);
  - Article 33 being applied; and
  - Planning considerations given, including where appropriate, rationale as to why a request could not be taken forward;
- iv. Sample testing also showed ten clear examples where a condition had been imposed as part of the planning determination that reflected the issues raised by the town or parish council;
- v. Due to the technical nature of planning, Internal Audit cannot comment on the planning considerations given as this is a matter for those who hold the respective professional discipline. To provide assurance on this aspect, Internal Audit sought the opinion of the Development Team Manager. He reviewed the 40 planning applications and was satisfied that the responses had been satisfactorily addressed for all but one application;
- vi. For the outlier, while the case officer's review acknowledged and reported the comments of the parish council, it did not give a specific response to the issue raised. In this case however, the issue raised is not something that the local planning council would be able to manage. He confirmed, having found this improvement point, that the service will ensure this matter is picked up as part of its ongoing training and professional development programme;

- vii. The Head of Development Management has made provision for sub delegation of her delegated powers. Internal Audit found that updates to the Sub Delegation List were not notified in line with the Scheme of Officer Delegations in the Council's Constitution. In addition, the versions did not align to the Head of Development Management's intended sub delegation arrangements, and therefore had not been implemented formally. The Sub Delegation List has now been corrected by the Head of Development Management;

**Risk or Opportunity:** There is the opportunity to review and refresh the Council's Constitution with a view to streamlining the process for notification of sub delegation arrangements;

**Recommendation:** The process for notification of sub delegations should be considered, reviewed, and refreshed as appropriate. Target date: 31st May 2023.

- viii. Operationally, a Delegated Panel that consists of six officers, who on a rota basis (two officers each day) review and assess the information presented within the case officer's report. The delegated rota is flexible, and all officers cover for one another when necessary. This independent oversight provides for a consensus of the final decision outcome, enables objective challenge to the planning considerations and comprehensiveness of the information being presented;
- ix. Internal Audit obtained a report from Uniform detailing the Panel officers' comments made as part of the review process during the period. Internal Audit was able to see clear examples of where challenge had been made relating to addressing the town or parish council comments within the case officer's report. This shows that Panel officers are giving focus to ensuring conformity with Article 33, and ensuring comments made are adequately addressed within the officer decision-making report;
- x. For the selected sample of 40 planning applications, one application was withdrawn, the remaining 39 were approved in line with the Head of Development Management's delegated decision-making process;
- xi. There have been various appointments to the position of Monitoring Officer at the Council over more recent years. In addition, the provision of legal services was outsourced in 2020 to One Legal. Due to these changes, the administrative responsibility for maintaining and publishing the Sub Delegation List has become blurred. As a consequence, the version of the Sub Delegation List held on the Council's intranet is out of date;

**Risk:** Decision-making may not be per the Council's Constitution. This could give rise to litigation, place additional financial pressures, and damage the Council's reputation;

**Recommendation:** The Sub Delegation List should be reviewed and refreshed as appropriate. Once finalised, consideration of publication of the document to be agreed with the Monitoring Officer. Management should ensure that as and when this list is subject to future revisions, published copies are promptly updated. Target date: 30th November 2022.

- xii. The service has identified four key inherent risks. These have been captured within the Council's Performance and Risk Management system (Excelsis). All four risks

## Agenda Item 5

### Appendix A

were reviewed by management in July 2022. For Development Management (DM)2 and DM5 risks, management acknowledge that narrative in respect of the preventative and mitigating controls section is needed;

**Risk:** If risks are not being adequately managed, this could adversely impact upon service delivery, and damage the Council's reputation;

**Recommendation:** Preventative and mitigating controls should be considered, agreed, and implemented by management. Once confirmed, these should be documented within Excelsis. Target date: 9th September 2022.

xiii. There is a correlation between the service risks DM1 and DM2 and the Council's Corporate Risks CCR4 and CCR10. It is therefore acknowledged that in respect of DM2 preventative controls, service actions are dependent on wider corporate actions. The Corporate Risk Register was presented to the July 2022 Audit and Standards Committee (Agenda Item 5).

### 3. Counter Fraud Update – Summary of Counter Fraud Activities

#### Current Year Counter Fraud Activities

3.1 To date in 2022-23 there have been no new irregularities referred to the ARA Counter Fraud Team (CFT).

3.2 The CFT is currently working on a number of projects including:

- i. Writing an Enforcement Policy;
- ii. Delivering Enforcement training; and
- iii. Updating the Council's Counter Fraud and associated information available on the intranet and webpages.

#### Previous years' referrals closed case

3.3 The CFT continued to work on two Covid-19 Grant related cases. One case has now been closed and the outcomes of the remaining case will be reported to the Audit and Standards Committee on its completion.

3.4 In respect of the closed case, the details have been reported to Action Fraud and National Anti-Fraud Network (NAFN). Despite numerous attempts, the individual failed to respond and engage with the Council. As per the government guidance this case has been referred to the Department for Business, Energy and Industrial Strategy (BEIS). No further action is required by the Council.

#### National Fraud Initiative (NFI)

3.5 Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data collections for the 2022-23 exercise are due to be uploaded to the Cabinet Office from 7<sup>th</sup> October 2022. It is anticipated that the data matching reports will be released for review from January 2023 onwards.



- 3.6 The full NFI timetable can be found using the link available on GOV.UK – [www.gov.uk/government/publications/national-fraud-initiative-timetables](http://www.gov.uk/government/publications/national-fraud-initiative-timetables)
- 3.7 Examples of data sets includes housing, insurance, payroll, creditors, council tax, electoral register and licences for market traders or operators, taxi drivers and personal licences to supply alcohol.
- 3.8 Not all matches are always investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area within the Council.
- 3.9 The CFT provided assistance to the Council by reviewing around 400 of the NFI matches across a number of different reports. A small number of potential anomalies were identified and these have been referred back to the relevant teams for further interrogation.
- 3.10 In addition, ARA has been advised that the services of the Counter Fraud Unit (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.

**National Anti-Fraud Network (NAFN)**

- 3.11 NAFN is a public sector organisation which exists to support its members in protecting the public interest. It is one of the largest shared services in the country managed by, and for the benefit of its members. NAFN is currently hosted by Tameside Metropolitan Borough Council.
- 3.12 Membership is open to any organisation that has responsibility for managing public funds or assets. Use of NAFN services is voluntary, which ensures delivery of value for money. Currently, almost 90% of councils are members and there are a rapidly growing number of affiliated wider public sector bodies including social housing providers.
- 3.13 Many potential attempted frauds are intercepted. This is due to a combination of local knowledge together with credible national communications, including those from the NAFN. Fraud risk areas are swiftly cascaded to teams by the CFT for the purpose of prevention, for example national targeted frauds.

**International Fraud Awareness Week (IFAW)**

- 3.14 This year as in previous years, Stroud District Council is signed up as a supporter of IFAW.
- 3.15 The week runs from 13<sup>th</sup> to 19<sup>th</sup> November. The aim of IFAW is to encourage proactive steps to minimise the impact of fraud by promoting anti-fraud awareness and education. By being a supporter of the event the Council is demonstrating its commitment to preventing and detecting fraud. More information will be issued nearer the time.

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Stroud District Council 2022-23 Internal Audit Progress Report - September 2022

Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Quarter	Comments
<b>Completion of 2021-22 Work</b>									
1		1	Communities	Anti-social Behaviour Management	Assurance	High	Final Report Issued		Delivered across 2021-22 year end. Reported to July 22 Committee.
2		1 and 2	Communities	Electrical Works Contract – Follow-Up	Assurance	High	Final Report Issued		Carry forward from 2021-22.
3		1	Resources	Brimscombe Port – Annual Report	Assurance	Medium	Final Report Issued		Delivered across 2021-22 year end. Reported to July 22 Committee.
4		1	Resources	Change Management Process	Assurance	High	Final Report Issued		Delivered across 2021-22 year end. Reported to July 22 Committee.
5		1	Resources	Creditors – Follow-Up	Assurance	High	Final Report Issued		Delivered across 2021-22 year end. Reported to July 22 Committee.
6		1	Resources	Green Homes Grant Local Authority Delivery Scheme - Phase 1b	Assurance	High	Final Report Issued		Delivered across 2021-22 year end. Reported to July 22 Committee.
7		1 and 2	Resources	ICT Compliance with Government Standards	Assurance	High	Final Report Issued		Carry forward from 2021-22.
8		1 and 2	Resources	ICT Incident Management Process	Assurance	High	Final Report Issued		Carry forward from 2021-22.
9		1	Exempt	Exempt	Assurance	High	Final Report Issued		Delivered across 2021-22 year end. Reported to July 22 Committee.
<b>Work Planned for Quarter 1 2022-23</b>									
10	1	1 and 2	Communities	Leisure Facilities – Stratford Park	Assurance	High	Field Work Started		Leisure facilities activity split into two tranches - Stratford Park (Quarter 1) and The Pulse (Quarter 2).
11	1	1 and 2	Communities	Social Housing Decarbonisation Fund (Demonstrator)	Assurance	High	Draft Report Issued		Deferred from 2021-22 Plan.
12	1	3	Place	Canal Restoration Project – Risk Management	Assurance	High	Planned		Quarter 3 delivery request from service management agreed.
13	1	1 and 2	Place	Planning Applications – Consultations with Town and Parish Councils	Assurance	Medium	Final Report Issued		
14	1	2	Place	Planning Enforcement	Consultancy	Consultancy	Planned		Quarter 2 start agreed.
15	1	1	Place	Planning Enforcement – Complaints Data Analysis	Assurance	High	Final Report Issued		Information Sheet released to Committee in July 22.
16	1	1 and 2	Place	Innovate to Renovate – Claim 1	Assurance	Medium	Field Work Started		Deferred from 2021-22 Plan.
17	<b>NEW</b>	1 and 2	Resources	Contain Outbreak Management Fund (COMF) - Grant Certification	Assurance	High	Final Report Issued		New activity.
18	1	1 and 2	Resources	Covid 19 Business Grants – Post Payment Assurance	Assurance	High	Field Work Started		Activity split into two tranches. This is tranche 1.
19	1	2	Resources	IT Applications Management	Assurance	High	Planned		Scoping meeting to be completed in September 2022.
20	1	2	Resources	IT Cyber Security	Assurance	High	Planned		Scoping meeting to be completed in September 2022.
21	1	1 and 2	Resources	IT Disaster Recovery – Follow-Up	Assurance	High	Field Work Started		Deferred from 2021-22 Plan.
22	<b>NEW</b>	1	Resources	Test and Trace Support Payment – Grant Certification	Assurance	High	Final Report Issued		New activity.
<b>Work Planned for Quarter 2 2022-23</b>									
23	2	2	Communities	Cleaner Estates Strategy (Refuse)	Assurance	High	Planned		Deferred from 2021-22 Plan.
24	2	3	Communities	Housing Management System – Project Management	Assurance	High	Planned		Quarter 3 delivery request from service management agreed.
25	2	2	Communities	Housing Revenue Account (HRA) Delivery Plan	Assurance	High	Planned		Deferred from 2021-22 Plan.
26	2	2	Communities	Leisure Facilities – The Pulse	Assurance	High	Planned		Leisure facilities activity split into two tranches - Stratford Park (Quarter 1) and The Pulse (Quarter 2).
27	2	2	Communities	Out of Hours Emergencies – Follow-Up	Assurance	High	Planned		

Stroud District Council 2022-23 Internal Audit Progress Report - September 2022

Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Quarter	Comments
28	2	2	Communities	Safeguarding	Assurance	High	Planned		Deferred from 2021-22 Plan.
29	2	2	Communities	Social Housing Decarbonisation Fund (Wave 1)	Assurance	High	Planned		
30	2	2	Place	Innovate to Renovate – Claim 2	Assurance	Medium	Field Work Started		
31	2	3	Place	ISO 14001 – Environmental Management System	Consultancy	Consultancy	Planned		Quarter 3 delivery agreed.
32	2	2	Resources	IT Procurement	Consultancy	Consultancy	Planned		
33	2	2	Resources	Member Expenses	Assurance	Medium	Planned		
34	2	2	Resources	Risk Management	Consultancy	Consultancy	Planned		
<b>Work Planned for Quarter 3 2022-23</b>									
35	3		Council Wide	Business Continuity	Assurance	High	Planned		
36	3		Council Wide	Contract Management Framework	Assurance	High	Planned		
37	3		Council Wide	Emergency Planning	Assurance	High	Planned		
38	3		Council Wide	Fit for the Future Programme	Assurance	High	Planned		Deferred from 2021-22 Plan.
39	3		Communities	Homelessness Prevention	Assurance	Medium	Planned		
40	3		Communities	Section 20 Leaseholder Service Charges	Assurance	High	Planned		
41	3		Place	Brimscombe Port	Assurance	High	Planned		
42	3		Place	Health and Safety Audits	Assurance	Medium	Planned		
43	3		Resources	Cash and Bank	Assurance	High	Planned		
44	3		Resources	Insurance	Assurance	High	Planned		
45	3		Resources	Government Procurement Cards	Assurance	Medium	Planned		Deferred from 2021-22 Plan.
46	3		Resources	Payroll and Pension Administration	Assurance	High	Planned		
<b>Work Planned for Quarter 4 2022-23</b>									
47	4		Communities	Housing Voids – Follow-Up	Assurance	High	Planned		
48	4		Place	Planning Enforcement – Follow-Up	Assurance	High	Planned		
49	4		Place	Sustainable Warmth Grant (Home Upgrade Grant Phase 1)	Assurance	High	Planned		
50	4		Place	Sustainable Warmth Grant (Local Authority Delivery Scheme Phase 3)	Assurance	High	Planned		
51	4		Resources	Council Tax – Opening Debits	Assurance	High	Planned		Deferred from 2021-22 Plan.
52	4		Resources	Covid 19 Business Grants – Post Payment Assurance	Assurance	High	Planned		Activity split into two tranches. This is tranche 2.
53	4		Resources	Election Payments	Assurance	High	Planned		
54	4		Resources	National Non-Domestic Rates (NNDR) – Opening Debits	Assurance	High	Planned		
55	NEW		Resources	Right To Buy	Assurance	High	Planned		New activity.
56	4		Resources	Risk Management Follow-Up	Assurance	High	Planned		
57	4		Resources	Treasury Management and Ethical Investments Strategy	Assurance	High	Planned		
<b>Work Planned for Throughout 2022-23</b>									
58			Communities	Leisure Facilities – Local Authority Trading Company	Consultancy	Consultancy	Ongoing		
59			Counter Fraud	Counter Fraud	Assurance	High	Ongoing		Counter Fraud activity progresses throughout the year and is reported at each Committee.

**Key:**

- The audit has started or will start on time.
- The audit commencement has been or is likely to be delayed.
- The audit is not likely to be undertaken in this financial year.

## STROUD DISTRICT COUNCIL

## AUDIT AND STANDARDS COMMITTEE

27 SEPTEMBER 2022

<b>Report Title</b>	<b>1ST QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2022/23</b>			
<b>Purpose of Report</b>	To provide an update on treasury management activity as at 30/06/2022.			
<b>Recommendation(s)</b>	<b>The Committee is asked to accept the treasury management activity first quarter report for 2022/2023.</b>			
<b>Consultation and Feedback</b>	Link Asset Services (LAS).			
<b>Report Author</b>	Maxine Bell, Snr Accounting Officer Tel: 01453 754134 E-mail: maxine.bell@stroud.gov.uk			
<b>Options</b>	None			
<b>Background Papers</b>	None			
<b>Appendices</b>	A – Prudential Indicators as at 30 June 2022 B – Explanation of prudential indicators			
<b>Implications (further details at the end of the report)</b>	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).

**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 2022/23
  - A review of the Council’s borrowing strategy for 2022/23
  - A review of compliance with Treasury and Prudential Limits for 2022/23.
  - Other Treasury Issues

## Agenda Item 6

### Treasury Management Strategy Statement and Investment Strategy update

4. The TMSS for 2022/23 was approved by Council on 17th February 2022. 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 2022-23 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 2022 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 2022/23

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 were withdrawn at the end of 2021. As set out in the Council's 2022-23 Strategy specified investments, from 2022-23 financial year, will be benchmarked against the SONIA (Sterling Overnight Index Average) compounded 7-day and 3-month rates. The Council's investment funds will be benchmarked against the 0 – 35% shares index.

**TABLE 1: Average Interest Rate**

	Period	Investment Interest Earned £	Average Investment £m	Rate of Return
<b>Internally Managed Specified Property Fund / Multi-Asset Fund</b>		111,045	56.503	0.788%
	01/04/2022 -30/06/2022	74,900	10.000	3.004%
	<b>TOTAL</b>	185,945	66.503	1.121%

**TABLE 2: Funds Performance – Quarter 1 2022-23**

Fund	Initial Investment £m	Value as at 30/06/2022 £m	Return Apr - Jun 2022
Lothbury	4.000	4.542	3.09%
Hermes	2.000	2.388	3.28%
<b>TOTAL PROPERTY FUNDS</b>	<b>6.000</b>	<b>6.930</b>	<b>3.15%</b>
Royal London	3.000	2.706	2.48%
CCLA	1.000	0.988	3.70%
<b>TOTAL MULTI-ASSET FUNDS</b>	<b>4.000</b>	<b>3.694</b>	<b>2.78%</b>
<b>TOTAL FUND INVESTMENTS</b>	<b>10.000</b>	<b>10.624</b>	<b>3.004%</b>

10. The approved limits as set out in the Treasury Management Strategy report to Council 17th February 2022 within the Annual Investment Strategy were not breached during the first 3 months of 2022/23.
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 (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 2022.

**TABLE 3: Investments & Borrowing**

	Jun 2022 £'000
Aberdeen	3,045
Federated Prime Rate	3,950
Goldman Sachs	3,927
<b>Money Market Funds Total</b>	<b>10,922</b>
Lloyds	2,000
<b>Lloyds Banking Group Total</b>	<b>2,000</b>
NatWest	3,460
Royal Bank of Scotland	3,000
<b>RBS Banking Group Total</b>	<b>6,460</b>
Standard Chartered	3,700
Santander	7,999
Barclays Bank Plc	7,793
Svenska Handelsbanken	14
National Bank of Canada	3,000
Debt Management Office	4,000
Toronto Dominion	5,000
Bayerische Landesbank	3,000
<b>Other Banks/Building Society Total</b>	<b>34,506</b>
Thurrock District Council	1,000
<b>Local Authority Total</b>	<b>1,000</b>
<b>TOTAL INVESTMENTS</b>	<b>£54,888</b>
Lothbury	4,000
Hermes	2,000
<b>TOTAL PROPERTY FUNDS</b>	<b>£6,000</b>
RLAM	3,000
CCLA	1,000
<b>TOTAL MULTI ASSET FUNDS</b>	<b>£4,000</b>
PWLB	102,717
<b>TOTAL BORROWING</b>	<b>£102,717</b>

## Agenda Item 6

### External Borrowing

13. The Council's Capital Financing Requirements (CFR) for 2022/23 is £130.644m. 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 2022.

### 14. Compliance with Treasury and Prudential Limits

15. 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.

16. During the period to 30 June 2022 the Council has operated within treasury limits and Prudential Indicators set out in the Council's TMSS and with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix A.

### 17. IMPLICATIONS

#### 17.1 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](mailto:lucy.clothier@stroud.gov.uk)

#### 17.2 Legal Implications

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

Hayley Sims, Head of Law  
Email: [legalservices@onelegal.org.uk](mailto:legalservices@onelegal.org.uk)

#### 17.3 Equality Implications

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

#### 17.4 Environmental Implications

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



Prudential Indicator	2022/23 Indicator £'000	Actual as at 30 June 2022 £'000
Capital Financing Requirement (CFR)	130,644	124,036
Gross Borrowing	102,717	102,717
Authorised Limit for external debt	147,000	102,717
Operational Boundary for external debt	142,000	102,717
Principal sums invested > 365 days	15,000	10,000
<b>Maturity structure of borrowing limits</b>		
Under 12 months	25%	2%
12 months to 2 years	50%	0%
2 years to 5 years	75%	0%
5 years to 10 years	100%	6%
10 years and above	100%	92%

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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 2022 strategy with actual gross borrowing as at 30 June 2022.

**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 £124.036m provides the Council with the opportunity to borrow if appropriate. £11,033m of borrowing is planned for 2022/23 arising from the approved capital programme, together with £1.041m 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 2022 to 30 June 2022.

**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 2022 to 30 June 2022.

**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 13 of the latest Treasury Management Strategy.

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## STROUD DISTRICT COUNCIL

## AUDIT AND STANDARDS COMMITTEE

TUESDAY, 27 SEPTEMBER 2022

<b>Report Title</b>	<b>Statement of Accounts 2021 - 2022</b>			
<b>Purpose of Report</b>	This report provides an opportunity to publicly consider the Statement of Accounts 2021-2022 ahead of the official audit opinion from Deloitte in November.			
<b>Decision(s)</b>	<b>The Committee is asked to:</b> <b>a) Approve the report</b> <b>b) Consider any recommendations regarding the accounts for the year ending 31 March 2022.</b>			
<b>Consultation and Feedback</b>	Deloitte are currently auditing the accounts and are scheduled to give their audit opinion as well as their ISO260 report to November committee in line with statutory deadlines.			
<b>Report Author</b>	Graham Bailey, Principal Accountant Email: graham.bailey@stroud.gov.uk			
<b>Options</b>	None.			
<b>Background Papers</b>	None.			
<b>Appendices</b>	Appendix A – Unaudited Statement of Accounts 2021 - 2022			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	No	No	No	No

**1. INTRODUCTION / BACKGROUND**

- 1.1 The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position, financial performance and cash flows of a local authority.
- 1.2 The Code is part of the 'proper practices' requirements governing the preparation of an authority's Statement of Accounts referred to in section 21 of the Local Government Act 2003.
- 1.3 It is important for compliance with the Code that two particular aspects are understood clearly.
- 1.4 First, all Statements of Accounts should reflect a common pattern of presentation, although this does not necessarily require them to be in an identical format. One of the main aims of the Code is to narrow the areas of difference and variety in accounting treatment and thereby to enhance the usefulness of published Statements of Accounts.
- 1.5 Secondly, interpretation and explanation of the accounts are considered to be extremely important. The Code requires that there should be a Narrative Report to accompany the Statement of Accounts. The Narrative Report should explain the more significant features of the accounts (see section 3.1 of the Code for further details of the requirements to produce a Narrative Report). It should be based on the information contained in the Statement of Accounts and local authorities should ensure that it does not contain material inaccuracies or misleading statements in relation to the Statement of Accounts.

## Agenda Item 7

- 1.6 The Statement of Accounts were signed by the Section 151 Officer on 28 July 2022 and were published on the same day on Council's website along with the Annual Governance Statement. This is compliant with the statutory deadline of 31 July 2022. The audit of the accounts commenced 1 August 2022. Notice was also given on the website and in local newspapers that rights of the public and local government electors to have access to financial documents and to raise objections with the Auditor commenced 1 August and ran until 12 September.

### 2. COMMENTARY ON THE FINANCIAL STATEMENTS

- 2.1. **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 2022.
- 2.2. **Comprehensive Income and Expenditure Statement (CIES):** The CIES consolidates all the financial gains and losses experienced during the year. The CIES has two sections:
- 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.
  - 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.
- 2.3. **Balance Sheet:** The Balance Sheet summarises the Council's financial position at 31 March 2022. 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.
- 2.4. **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.

### 3. IMPLICATIONS

#### 3.1. Financial Implications

There are no financial implications arising from this report.

Andrew Cummings, Strategic Director of Resources

Tel: 01453 754115 Email: [andrew.cummings@stroud.gov.uk](mailto:andrew.cummings@stroud.gov.uk)

#### 3.2. Legal Implications

There are no significant implications within this category.

One Legal,

Hayley Sims, Head of Law (Commercial and Property)

Tel: 01684 272141 Email: [Hayley.sims@onelegal.org.uk](mailto:Hayley.sims@onelegal.org.uk)

#### 3.3. Equality Implications

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

#### 3.4. Environmental Implications

There are no significant implications within this category.

# Statement of Accounts 2021/22



## Contents

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# Chief Financial Officer's Narrative Report

## Introduction

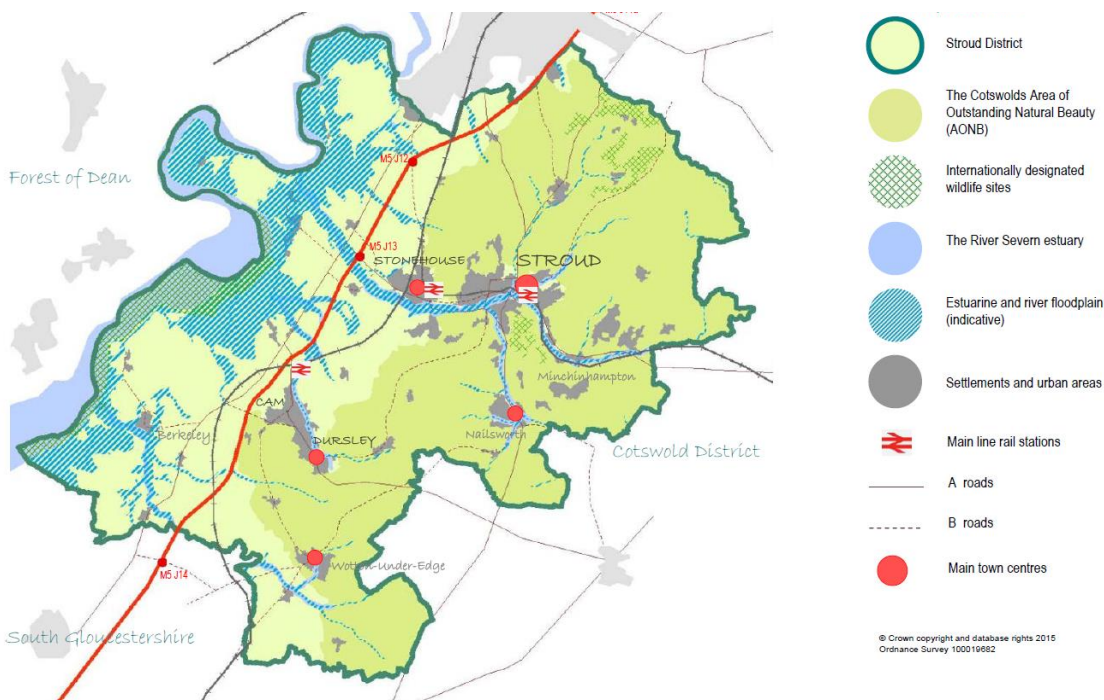
Welcome to the Narrative Report and Statement of Accounts for Stroud District Council. This narrative report sets the scene and tells the story of the District Council over the past year. Included within are details of the Council and the District, financial and non-financial performance for the past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

2021/22 was a year of recovering from the worst impacts of Covid-19, welcoming a new group of Councillors and developing a new five-year Council Plan setting out our priorities and objectives for the years to come. The following pages set out a summary of our performance and I hope you find it interesting and informative.

Thank you for taking an interest in Stroud District Council and our financial position.

## About the District

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



# Agenda Item 7

## Appendix A

- 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

## Political Structure

The Council consists 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.

The political make-up of the Council during the 2021/22 year, after the election, was:

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 Leader throughout the year was Councillor Doina Cornell (Labour) and the Deputy Leader from May 2021 onwards was Councillor Catherine Braun (Green). There was not previously a Deputy Leader in the Alliance set up. More recently (July 2022), Councillor Catherine Braun has become the Leader with Councillor Natalie Bennett (Labour) replacing her as Deputy Leader. The Council has adopted the Committee system as its political management structure. The list of Committees and chairs during the 2021/22 year is as follows.

Strategy and Resources	Councillor Doina Cornell (Leader)
Community Services and Licensing	Councillor Chris Brine
Housing	Councillor Mattie Ross
Environment	Councillor Chloe Turner (replaced Cllr Simon Pickering after the election)
Audit and Standards	Councillor Nigel Studdert-Kennedy
Development Control	Councillor Martin Baxendale

## Senior Management

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

Monitoring Officer – Stephen Taylor

Strategic Director of Place – Brendan Cleere

Strategic Director of Change and Transformation - Adrian Blick (previously 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 Stephen Taylor. The Monitoring Officer post was also held earlier in the year on an interim basis by Jodie Townsend and before him Patrick Arran. A Permanent Monitoring Officer has now been recruited to the Team who will begin work in 2022/23.

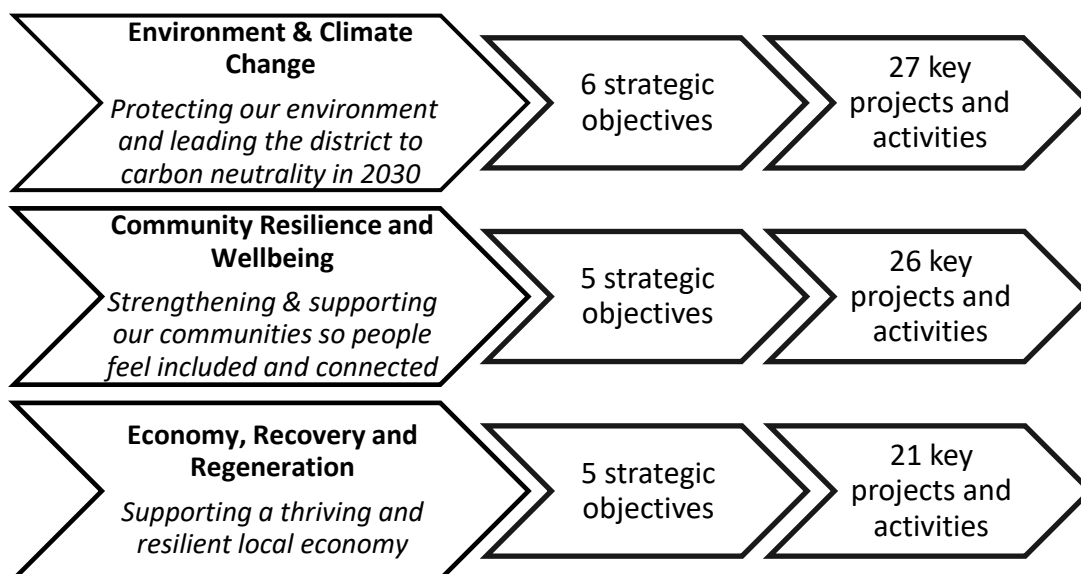
## Our Vision and Priorities

Our vision as a Council is:

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

After the election in May 2021, work began on revising the key priorities and objectives in a new Council Plan which was adopted in October 2021.

The Council Plan 2021 – 2026 is built on three tiers consisting of our priorities, our objectives and the key projects and activity the council will undertake to achieve our objectives. A summary of the Plan is shown in the table below and the full plan can be found on the Council's website.



# Agenda Item 7

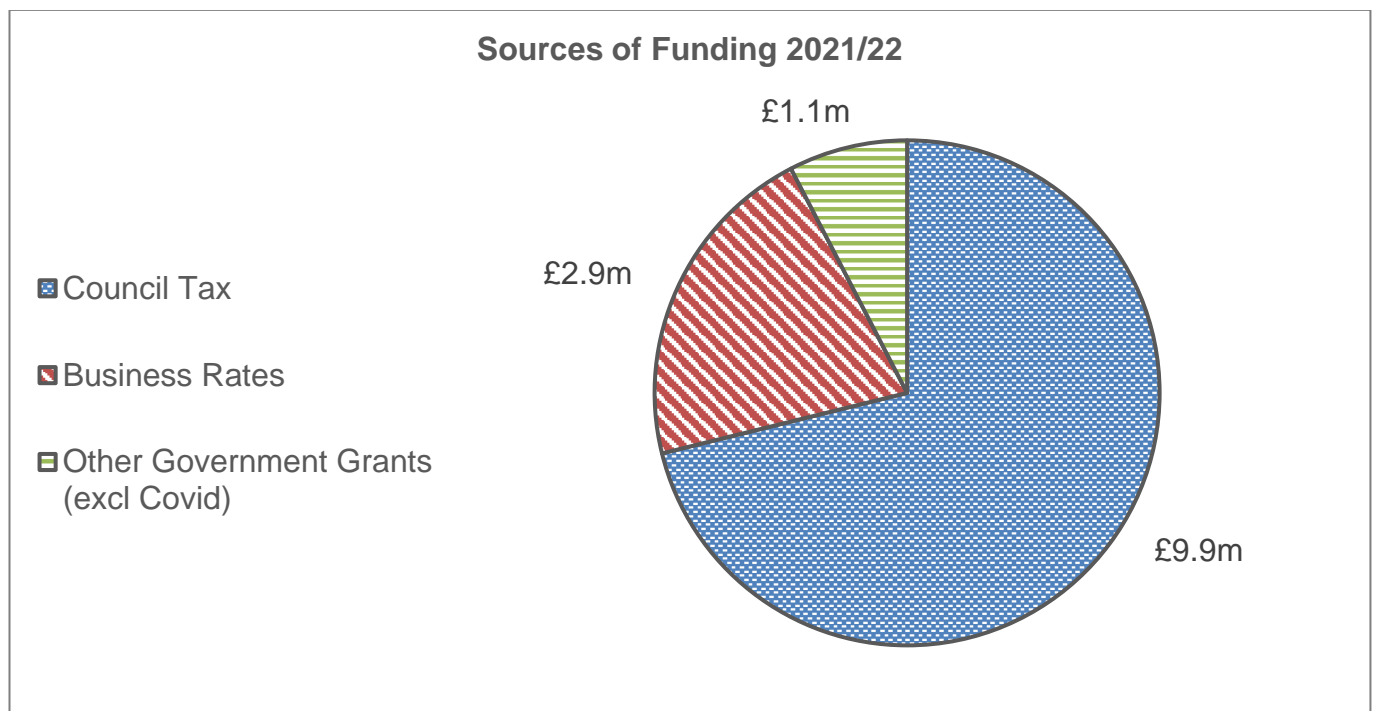
## Appendix A

To ensure that the council has a co-ordinated approach to delivering its objectives, the key projects and activities have been outlined in a Delivery Plan which also includes the governance arrangements as well as the timescale for start and completion of the project. The Delivery Plan also includes a full set of comprehensive performance indicators. Further information on performance management is provided later in this narrative statement.

### In-Year Financial Performance

The final General Fund Revenue budget for 2021/22, including corporate items and reserve transfers, was £10.687m. The final outturn position for the year is £13.998m with net transfers from reserves of £1.882m. Total funding was £13.878m, generating an underspend of £1.761m.

Funding was received in the following amounts:



The detailed outturn position is shown in the following table:

<b>GENERAL FUND</b>	<b>2021/22 Revised Budget £000</b>	<b>2021/22 Outturn £000</b>	<b>2021/22 Reserve Transfers £000</b>	<b>2021/22 Outturn Variance £000</b>
Community Services	3,252	3,788	(172)	364
Environment	5,917	4,860	214	(843)
Housing General Fund	980	564	344	(72)
Strategy and Resources	8,184	6,990	724	(469)
SSC Income from HRA	(2,058)	(2,205)	0	(147)
<b>Net Revenue Expenditure</b>	<b>16,275</b>	<b>13,998</b>	<b>1,109</b>	<b>(1,167)</b>
Funding from Govt Grants/Council Tax	(10,687)	(13,878)	2,235	(956)
Transfers to Earmarked Reserves	(5,588)	(1,882)	(3,344)	362
<b>Total General Fund</b>	<b>0</b>	<b>(1,761)</b>	<b>0</b>	<b>(1,761)</b>

*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:

<b>Service Area</b>	<b>Variance (under)/ overspend £k</b>
<b>Community Services and Licensing</b>	
Housing Benefit subsidy	406
Community Health and Wellbeing	(67)
Customer Services	94
Public spaces	(90)
<b>Environment</b>	
Waste and recycling	(616)
Development control	(138)
<b>Strategy &amp; Resources</b>	
Covid-19 expenditure/loss of income	(666)
Information & Communication Technology	218
Support charge income from HRA	(147)
Remove transfer to Waste and Recycling reserve	181
Funding - Business Rates	(432)
Business Rates Pool	(399)
Other variances (net)	(105)
<b>Total</b>	<b>(1,761)</b>

The Council's outturn report giving full details of budget performance across the year was published as a Strategy and Resources paper in July 2022, available on the Council website.

# Agenda Item 7

## Appendix A

There has been a net reduction in General Fund earmarked reserves in the year of £1.171m. There is a reduction in the Collection Fund smoothing reserve of £2m, whilst there are increases in a number of reserves related to priority projects and risk protection, including a new "Projects Reserve". The reduction in the Collection Fund smoothing reserve was anticipated and relates to a decrease in the net deficit on the Council's collection fund as the recovery from the pandemic continues. It does not therefore represent a risk to the Council's financial position. The increases in the projects and other reserves leaves more funding available in future financial years to commit to future expenditure. The Community Infrastructure Levy reserve is transferred to Capital Grants Unapplied.

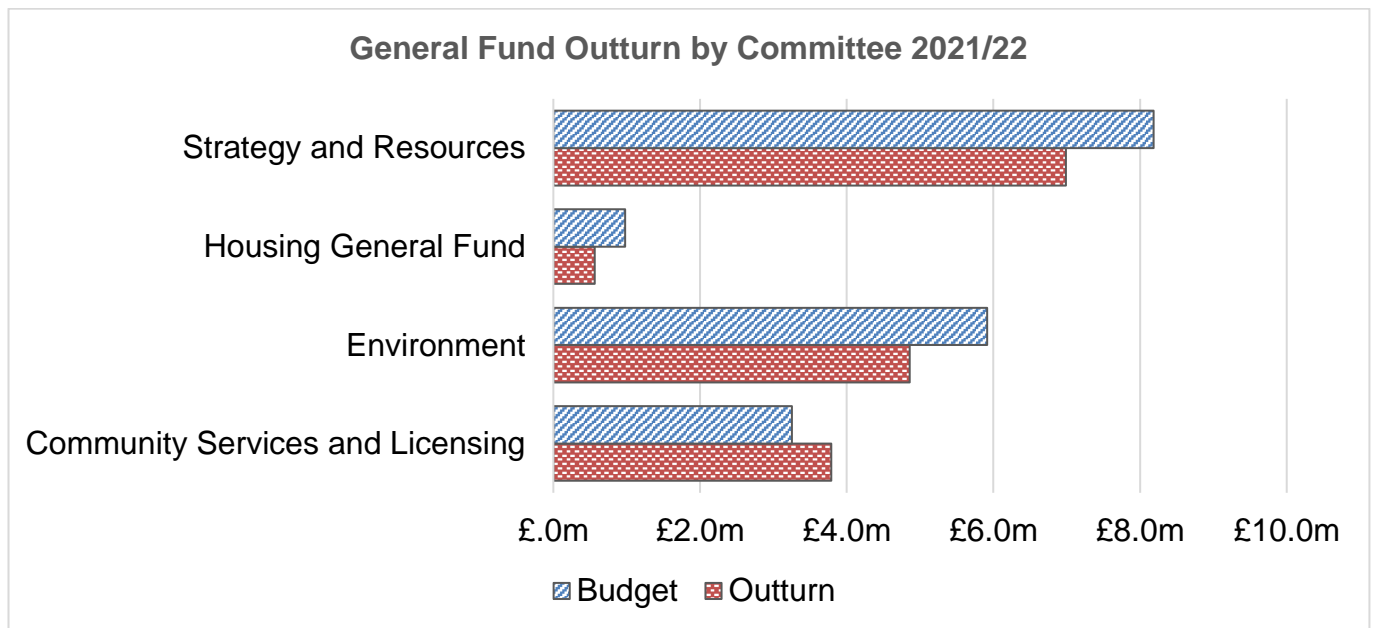
There has been no change in the Council's bottom-line General Fund balance which currently stands at £2.169m.

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.

	Balance 1 April 2021 £k	In year movement £k	Balance 31 March 2022 £k
Brimscombe Port Redevelopment	397	62	459
Business rates pilot	976	377	1,353
Business rates safety net	2,492	641	3,133
Capital	3,601	(49)	3,552
Climate change	438	36	475
Collection Fund Smoothing reserve	5,235	(2,000)	3,235
Community Infrastructure Levy	1,001	-1,001	-
Covid-19 recovery	553	(242)	312
MTFP equalisation	6,846	1	6,847
Projects	-	907	907
Repairs and replacement	304	267	570
Transformation	393	(293)	100
Waste management	600	311	911
Other reserves	2,367	(188)	2,179
General Fund Balance	2,169	-	2,169
<b>Total General Fund Reserves</b>	<b>27,373</b>	<b>(1,171)</b>	<b>26,202</b>

*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 £3.188m of which Stroud District Council received £0.399m. The pool growth was lower than in previous years, however this still represents a significant source of funding for Council priorities. This gain has been placed in a reserve and will be used in future years for supporting the Council’s bid to Central Government’s “Levelling Up Fund” and for investing into improvements in cyber security.

The Gloucestershire pool is continuing to operate into the 2022/23 year. Further gains from business rates pooling can therefore be expected until such point as an anticipated review of local government finance “resets” business rate growth. This reset of growth would mean that much of the income from pooling is returned to Central Government and the future of the pool would therefore be assessed at that point.

# Agenda Item 7

## Appendix A

### Housing Revenue Account

The Council owns and maintains its own council housing stock and manages 4,998 properties with a balance sheet value of £300m (2020/21 £275m).

In 2021/22 the HRA had an overspend against budget of £0.332m. The main reasons for the variance are:

- £0.428m loss of income and Council Tax payable due to voids
- (£0.291m) salary underspends (excluding Property Care)
- £0.387m additional spend on repairs and maintenance

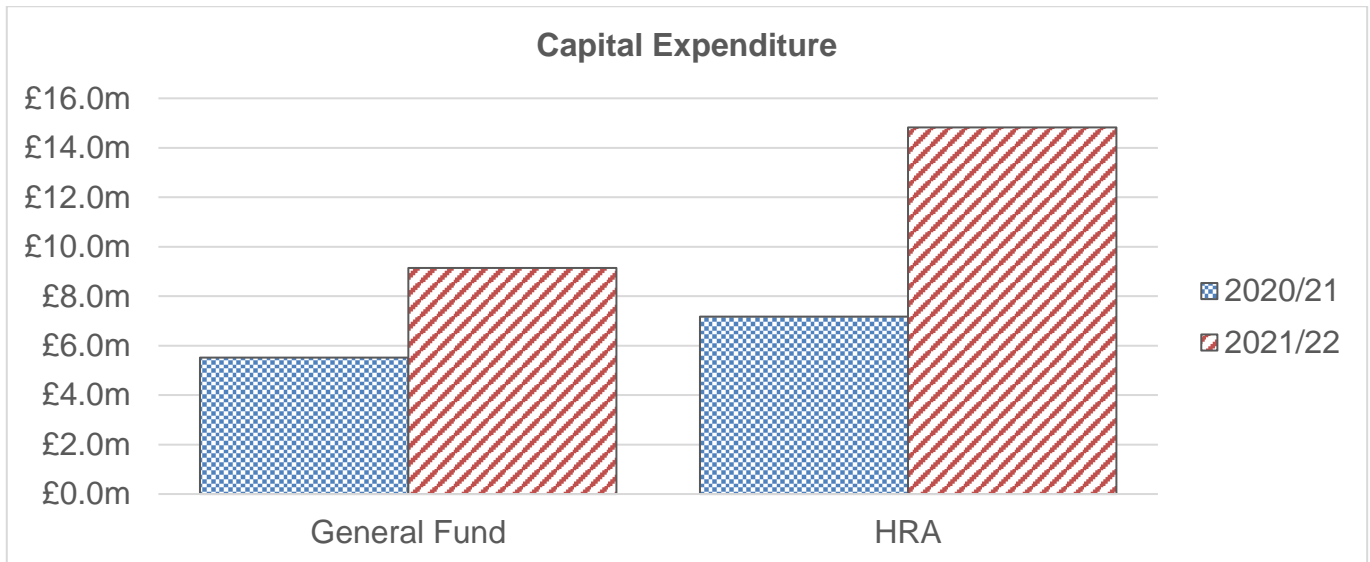
The HRA outturn position for 2021/22 shows a transfer from general reserves of £0.051m, a net transfer to earmarked reserves of £1.119m and a net transfer of £1.409m has been made from the Major Repairs Reserve. This includes £0.624k that has been reversed from a provision held. The following table shows the position of HRA reserves for 2021/22.

HRA Balances 2021/22	Opening balance £k	Net transfers to/(from) £k	Closing balance £k
General Reserves	4,611	(51)	4,560
Earmarked Reserves	5,668	1,119	6,787
Major Repairs Reserve	5,965	(1,409)	4,556
<b>Total balances</b>	<b>16,244</b>	<b>(341)</b>	<b>15,903</b>

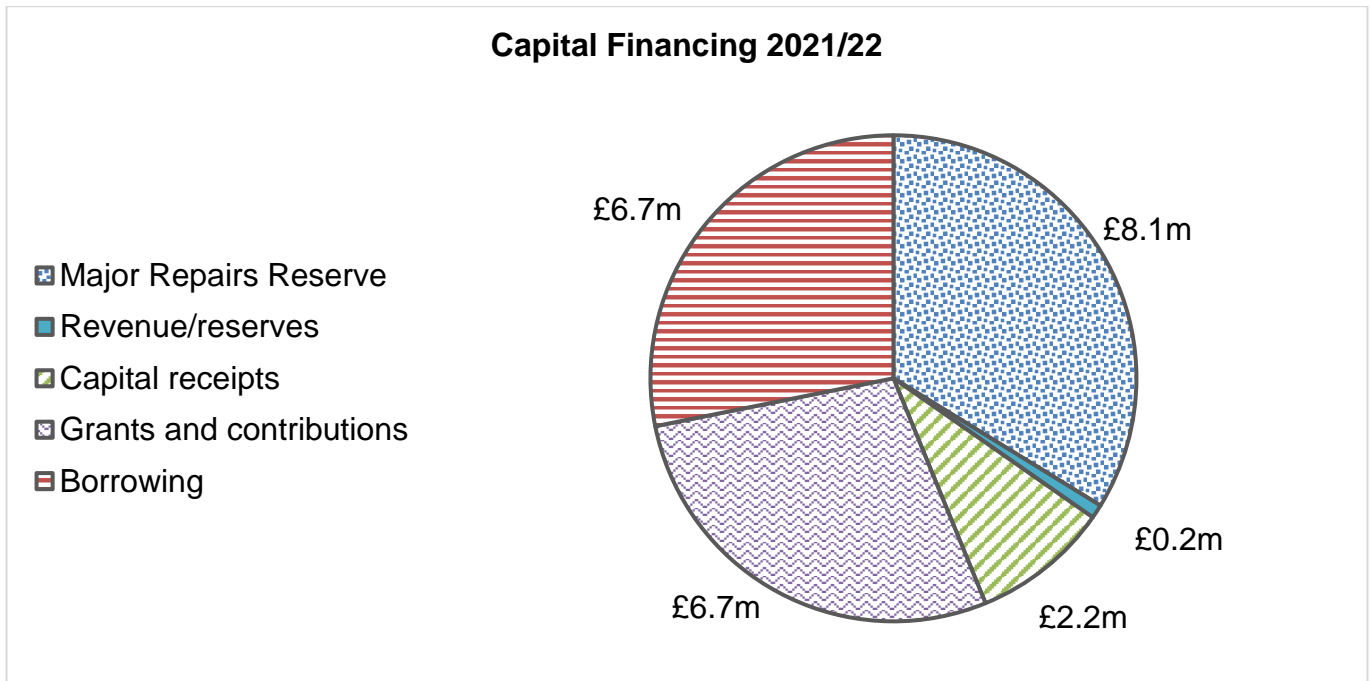
### Capital Outturn

General Fund capital expenditure for 2021/22 was £9.333m (£5.513m in 2020/21). Major General Fund capital projects included the Canal Phase 1B (Stonehouse to Saul Junction) (£3.859m), Brimscombe Port Redevelopment (£0.531m), Water Source Heat Pumps (£1.600m) and the Green Home LADS Park Homes (£1.594m). HRA Capital spend was £14.817m (£7.171m in 2020/21). £8.316m of this relates to major works on dwellings, with £6.501m 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.



# Agenda Item 7

## Appendix A

### **Pension Fund performance**

The balance sheet position of the Council's pension fund deficit has decreased in 2021/22 by £14.583m to £36.621m (£51.204m 2020/21). The majority of this change is a result of changes in financial assessments made by the Pension Fund actuaries.

### **Non-Financial Performance**

The Council recognises the vital importance of capturing non-financial performance. It has continued to perform strongly in year and has also brought in a number of changes to how it gauges levels of performance. For the first time, the newly adopted Council Plan is accompanied by a Delivery Plan including a comprehensive suite of Key Performance Indicators allowing detailed analysis of plan progression.

The Council again undertook its annual budget survey of residents which continues to show high levels of satisfaction with Council services, albeit with some small decreases. Some of the key highlights are shown below.

#### **LG Satisfaction Questions residents responded with:**

- 94% are *satisfied with their local area as a place to live* (94% in 2020).
- 75% are *satisfied with the way SDC runs things* (81% in 2020).
- 68% agree that *services have been maintained to a good standard* (75% in 2020)
- 57% agree that *SDC is business like and efficient* (63% in 2020).
- 66% think that SDC acts upon the concerns of local residents a great deal or a fair amount. (70% in 2020).
- 70% think that SDC keeps residents very or fairly well informed (78% in 2020).

Key highlights of Council activity in the year include:

- Production of the new Council Plan with the priorities for the next five years
- Development of a Canal Strategy in relation to capturing the benefits of the restored canal corridor
- Established a carbon neutral 2030 community engagement board
- Increased the proportion of the Council fleet powered by low carbon technologies
- Introduced a policy on ethical investments
- Completed the installation of the Ocean Railway Bridge as part of the next stage of the Cotswold Canals Connected Project
- Achieving the Workplace Wellbeing Award from Healthy Lifestyles Gloucestershire

Policy Committees have considered detailed performance monitoring reports throughout the year. The most recent report to the Strategy and Resources Committee can be found [here](#).

With the adoption of a new Council Plan the authority recognised the need for a corresponding review of the performance management framework. Within the committee system the Council's Policy Committees are a vital component in ensuring that there is effective scrutiny of performance. In November 2021 a new performance management framework was adopted and can be found at the following link. This is accompanied by a Delivery Plan for the new Council which includes the new Key Performance Indicators. This was agreed in January 2022 and can

be found at this link. Performance against these indicators will be reviewed on a quarterly basis throughout the upcoming year.

In March 2022 the Council was delighted to welcome back a Corporate Peer Challenge Team from the Local Government Association. This team of member and officer peers was reviewing the progress made since the last peer challenge and also considering how the Council had responded to the demands of the pandemic. The final report produced was positive about the Council's achievements and also included some recommendations for further improvements in future. The report was agreed at a full Council meeting in May 2022 and can be viewed at the following link.

## **The Outlook for the Future**

The Council's financial position continues to be strong. Income streams have begun to recover from the pandemic and not all of the funding set aside to mitigate against the pandemic impact was required. The overall reserves balances have remained broadly stable whilst at the same time funding for Council priorities are increased. Inflationary pressures are likely to be a significant factor in increasing costs over the coming months but the financial outturn for 2021/22 has already allocated additional sums into reserves to mitigate against the risks created.

The newly published Council Plan is an ambitious set of objectives and undoubtedly sets challenging targets for the five years ahead. The renewed set of priority projects creates an overarching strategic framework into which all of the Council's policies and strategies can be directed. In particular, it is vital that the Council's Medium Term Financial Plan is fully integrated with the Council Plan. When setting the budget in February 2022 Councillors for the first time were able to consider the allocation of Council Budgets against specific Council Plan targets. This joined up strategic process helps to ensure effective value for money for local residents and businesses.

The Council's ambitious modernisation plan "Fit for the Future" (FFF) has continued over the past year, having begun in 2020. The aim of this plan is to ensure that the Council puts the community at the heart of everything it does. FFF seeks to ensure that the Council provides services that residents want, in a way that they want them to be provided. It also seeks to ensure that the Council has a well-trained and rewarded workforce, who get the support that they need to provide high quality services in an efficient way.

The FFF plan has already begun to deliver on a number of projects in the year including;

- Procurement of a new "Digital Platform" which will allow significant advancements in online functionality
- Implementation of a new set of Corporate Values and Behaviours
- Development of Customer Care Standards setting out what residents can expect when they contact the Council
- Implementation of a new HR and Payroll software system

The Council Plan places the development of the local economy as one of the three Council priorities. In order to help achieve this an Economic Development Strategy has been developed. This Strategy has a long term ten-year timescale to ensure sustainable business is prioritised over the life of the Council Plan and beyond.

### Summary of the Core Financial Statements

The Statement of Accounts summarises the Council's financial performance and cash flows for the 2021/22 financial year from 1 April 2021 to 31 March 2022 and its position at the financial year-end of 31 March 2022.

There are five core financial statements:

#### **Expenditure and Funding Analysis (page 14)**

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 15)**

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

#### **Movement in Reserves Statement (page 16)**

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 £0.473m in 2021/22, (2021/22 £55.286m, 2020/21 £54.813m), with unusable reserves increasing by £37.806m (2021/22 £200.373m, 2020/21 £162.567m).

#### **Balance Sheet (page 18)**

This statement shows the assets and liabilities of the Council. The Total Net Worth of the Council increased by £38.279m in the year (2021/22 £255.659m, 2020/21 £217.380m).

#### **Cash Flow Statement (page 19)**

This statement shows the changes in cash and cash equivalents in the year. There was an increase in cash and cash equivalents of £5.224m (2021/22 £24.479m, 2020/21 £19.255m).

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

#### **Housing Revenue Account Income and Expenditure Statement (page 83)**

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

#### **Collection Fund Statement (page 89)**

This statement shows the Council Tax and Non-Domestic Rates (NNDR) income received in the year less precepts and charges to the collection fund. Overall, the deficit on the NNDR element has decreased by £4.903m (2021/22 £7.711m deficit, 2020/21 £12.614m deficit). There is also a decrease in the Council Tax deficit of £0.421m (2021/22 £0.679m deficit, 2020/21 £1.100m 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 ensure 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 2022 and of its income and expenditure for the year then ended.

Signed:

Date:



**Andrew Cummings**  
**Section 151 Officer**

**28 July 2022**

# 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								
2020/21			2021/22					
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement		
<i>Figures in £000s</i>								
<b>Expenditure on Council Services</b>								
4,229	-2,187	6,416	Community Services Committee	3,788	-2,299	6,087		
5,298	-4,797	10,094	Environment Committee	4,860	-7,132	11,992		
579	-2,146	2,725	Housing Committee - General Fund	564	-2,617	3,181		
-7,152	-456	-6,696	Housing Committee - Housing Revenue Account	-1,068	3,950	-5,018		
11,168	6,691	4,478	Strategy & Resources Committee	6,990	-1,518	8,509		
<b>14,122</b>	<b>-2,895</b>	<b>17,017</b>	<b>Net cost of services</b>	<b>15,135</b>	<b>-9,614</b>	<b>24,750</b>		
-23,056	-3,456	-19,600	Other income and expenditure	-15,032	11,284	-26,317		
<b>-8,934</b>	<b>-6,350</b>	<b>-2,584</b>	<b>Surplus (-) or deficit on Provision of Services</b>	<b>103</b>	<b>1,670</b>	<b>-1,567</b>		
-28,717			Opening General Fund and HRA balance	-37,651				
-8,934			Surplus or deficit on General Fund and HRA balance in year	103				
<b>-37,651</b>			<b>Closing General Fund and HRA Balance</b>	<b>-37,548</b>				
<b>General Fund Balance</b>	<b>Housing Revenue Account Balance</b>	<b>Total Balances</b>		<b>General Fund Balance</b>	<b>Housing Revenue Account Balance</b>	<b>Total Balances</b>		
-20,361	-8,355	-28,716	Opening balance	-27,373	-10,279	-37,651		
-7,010	-1,924	-8,934	Surplus (-) / deficit	1,171	-1,068	103		
<b>-27,373</b>	<b>-10,279</b>	<b>-37,651</b>	Closing balance	<b>-26,202</b>	<b>-11,347</b>	<b>-37,548</b>		

# Comprehensive Income and Expenditure Statement

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

## Comprehensive Income and Expenditure Statement

2020/21				2021/22			
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure	
<i>Figures in £000s</i>							
<b>Expenditure on Council Services</b>							
25,504	-19,087	6,416	Community Services Committee	25,548	-19,461	6,087	
15,359	-5,265	10,094	Environment Committee	18,377	-6,385	11,992	
3,099	-374	2,725	Housing Committee - General Fund	3,774	-593	3,181	
16,247	-22,943	-6,696	Housing Committee - Housing Revenue Account	18,236	-23,255	-5,018	
7,390	-2,912	4,478	Strategy & Resources Committee	11,304	-2,796	8,509	
<b>67,598</b>	<b>-50,582</b>	<b>17,017</b>	<b>Surplus (-) / Deficit on Operations</b>	<b>77,239</b>	<b>-52,490</b>	<b>24,750</b>	
4,952	-816	4,136	<b>Other Operating Expenditure</b>	4,996	-1,304	3,692	11
4,399	-470	3,929	<b>Financing &amp; Investment Income &amp; Expenditure</b>	3,734	-422	3,313	12
-	-27,666	-27,666	<b>Taxation &amp; Non-Specific Grant Income</b>	-	-33,322	-33,322	13
		<b>-2,584</b>	<b>Surplus (-) / Deficit on Provision of Services</b>			<b>-1,567</b>	
		-13,276	Surplus (-) / deficit on revaluation of property, plant & equipment assets			-19,214	25
		11,810	Actuarial remeasurement gains (-) / losses on pension assets / liabilities			-17,498	32
		<b>-1,466</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>-36,712</b>	
		<b>-4,050</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>-38,279</b>	

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and '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 2021/22

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
Notes	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2021</b>	<b>27,373</b>	<b>10,279</b>	<b>5,965</b>	<b>10,259</b>	<b>938</b>	<b>54,813</b>	<b>162,567</b>	<b>217,380</b>
Surplus or (deficit) on provision of services (accounting basis)	-1,297	2,865	-	-	-	1,567	-	1,567
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	36,712	36,712
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>-1,297</b>	<b>2,865</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,567</b>	<b>36,712</b>	<b>38,279</b>
Adjustments between accounting basis & funding basis under regulations	127	-1,797	-1,409	-216	2,201	-1,094	1,094	-
<b>Increase / (Decrease) in Year</b>	<b>-1,171</b>	<b>1,068</b>	<b>-1,409</b>	<b>-216</b>	<b>2,201</b>	<b>473</b>	<b>37,806</b>	<b>38,279</b>
<b>Balance at 31 March 2022</b>	<b>26,202</b>	<b>11,347</b>	<b>4,556</b>	<b>10,042</b>	<b>3,139</b>	<b>55,286</b>	<b>200,373</b>	<b>255,659</b>

General Fund and HRA balance analysed over	General Fund	HRA	Total
	£000	£000	£000
Amounts earmarked	24,032	6,787	30,819
Amounts uncommitted	2,169	4,560	6,729
<b>Total General Fund and HRA balance as at 31 March 2022</b>	<b>26,202</b>	<b>11,347</b>	<b>37,548</b>



## 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
<i>Notes</i>	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2020</b>	<b>20,361</b>	<b>8,355</b>	<b>4,520</b>	<b>10,611</b>	<b>1,044</b>	<b>44,893</b>	<b>168,437</b>	<b>213,330</b>
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
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>-1,179</b>	<b>3,763</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,584</b>	<b>1,466</b>	<b>4,050</b>
Adjustments between accounting basis & funding basis under regulations	8,189	-1,839	1,445	-353	-107	7,336	-7,336	-
<b>Increase / (Decrease) in Year</b>	<b>7,010</b>	<b>1,924</b>	<b>1,445</b>	<b>-353</b>	<b>-107</b>	<b>9,920</b>	<b>-5,870</b>	<b>4,050</b>
<b>Balance at 31 March 2021</b>	<b>27,373</b>	<b>10,279</b>	<b>5,965</b>	<b>10,259</b>	<b>938</b>	<b>54,813</b>	<b>162,567</b>	<b>217,380</b>

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

## Balance Sheet

Balance Sheet			
31 March 2021		Notes	31 March 2022
£000			£000
330,360	Property, Plant & Equipment	14	356,418
140	Heritage Assets	15	140
6	Intangible Assets		-
9,867	Long Term Investments	17	10,750
284	Long-term Debtors	17	287
<b>340,657</b>	<b>Long-term Assets</b>		<b>367,595</b>
28,821	Short-term Investments	17	28,814
-	Assets Held for Sale	21	174
11,286	Short-term Debtors	19	12,837
19,255	Cash and Cash Equivalents	20	24,479
<b>59,361</b>	<b>Current Assets</b>		<b>66,305</b>
-	Short Term Borrowing	17	-2,000
-24,995	Short-term Creditors	22	-35,565
<b>-24,995</b>	<b>Current Liabilities</b>		<b>-37,565</b>
-2,186	Long-term Creditors	22	-2,186
-1,536	Provisions	23	-1,151
-102,717	Long-term Borrowing	17	-100,717
-51,204	Other Long-term Liabilities	32	-36,621
<b>-157,643</b>	<b>Long-term Liabilities</b>		<b>-140,676</b>
<b>217,380</b>	<b>Net Assets</b>		<b>255,659</b>
54,813	Usable Reserves	24	55,286
162,567	Unusable Reserves	25	200,373
<b>217,380</b>	<b>Total Reserves</b>		<b>255,659</b>

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 2021 £000		<i>Notes</i>	31 March 2022 £000
-2,584	Net surplus (-) or deficit on the provision of services		-1,567
-19,668	Adjust net surplus or deficit on the provision of services for non-cash movements	26	-21,331
2,232	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,588
-20,020	Net cash flows from Operating Activities		-20,310
16,259	Investing Activities	27	15,086
1,000	Financing Activities	28	-
-2,761	<b>Net increase (-) or decrease in cash and cash equivalents</b>		-5,224
16,494	Net cash and cash equivalents at the beginning of the reporting period		19,255
<b>19,255</b>	Net cash and cash equivalents at the end of the reporting period	20	<b>24,479</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Accounting Policies

#### (a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22* 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

## Agenda Item 7

### Appendix A

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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (2% in 2020/21) 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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## Appendix A

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 a financial 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 arise 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 2022 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 the waste and recycling service 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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## Appendix A

### **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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## Appendix A

### 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 overriding 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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## Appendix A

### **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 within 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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## Appendix A

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 2022/23 Code:

### IFRS16 Leases

Annual IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 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 2022 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 2022. 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

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been accounted for as assets within Property, Plant and Equipment. Those vehicles have a net book value of £2.2m.

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

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

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

As well as the items described in Note 3, the items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment.	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The spending on repairs and maintenance may vary in future, which would reduce the useful lives assigned to assets.	A reduction of one year in useful asset life would result in an additional £0.679m depreciation charge (£0.183m council dwellings and £0.496m other assets).
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson LLP, is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £15.335m (2020/21 £16.374m). However, the assumptions interact in complex ways. During 2021/22, the Council's actuaries advised that the net pension liability had decreased by £17.498m (increased by £11.810m 2020/21) as a result of re-measurements by the actuary.

Arrears	At 31 March 2022 the Council had a short-term debtor balance of £15.150m and a bad debt provision of £2.313m or 15.3% 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 17, 18 and 19 for further details of debt outstanding.
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## 5. Material Items of Income and Expense

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

- Decrease in net pension fund liabilities of £14.583m (see note 32).
- HRA capital programme which includes new build properties and acquisitions was £6.1m (2020/21 £7.2m). For more detail see note 4 of the HRA financial statements on page 86.
- 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 38.

## 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 2021/22

	Adjustments for Capital Purposes (a)  £000	Net change for the Pensions Adjustments (b)  £000	Other Differences (c)  £000	Total Adjustments  £000
<b>Expenditure on Council Services</b>				
Community Services Committee	-1,225	-402	-672	-2,299
Environment Committee	-4,228	-460	-2,443	-7,132
Housing Committee - General Fund	-2,254	-60	-302	-2,617
Housing Committee - Housing Revenue Account	2,003	-756	2,703	3,950
Strategy & Resources Committee	-1,034	-468	-16	-1,518
<b>Net cost of services</b>	<b>-6,738</b>	<b>-2,145</b>	<b>-731</b>	<b>-9,614</b>
 Other income and expenditure from the expenditure and funding analysis	 49	 -770	 12,005	 11,284
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>-6,689</b>	<b>-2,915</b>	<b>11,274</b>	<b>1,670</b>

**Note to the Expenditure and Funding Analysis**

**Adjustments between Funding and Accounting Basis 2020/21**

	Adjustments for Capital Purposes (a) £000	Net change for the Pensions Adjustments (b) £000	Other Differences (c) £000	Total Adjustments £000
<b>Expenditure on Council Services</b>				
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
<b>Net cost of services</b>	<b>-3,386</b>	<b>641</b>	<b>-149</b>	<b>-2,895</b>
Other income and expenditure from the expenditure and funding analysis	2,724	-889	-5,291	-3,456
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>-662</b>	<b>-248</b>	<b>-5,440</b>	<b>-6,350</b>

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

**(a) Adjustments for Capital Purposes**

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

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

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

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



**(b) Net Change for the Pensions Adjustments**

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

**For Services** – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

**For Financing and Investment Income and Expenditure** -- the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

**(c) Other Differences**

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

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

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

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### 8. Expenditure and Income Analysed by Nature

<b>Expenditure and Income Analysed by Nature</b>		
	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>		
Employee benefits expenses	15,958	19,497
Other services expenses	40,195	41,746
Depreciation, amortisation, impairment	12,351	13,405
Revaluations of property and assets	-922	1,774
Interest payments	4,415	4,553
Precepts and levies	4,397	4,535
Payments to housing capital receipts pool	555	461
<b>Total Expenditure</b>	<b>76,949</b>	<b>85,970</b>
<b>Income</b>		
Fees, charges and other service income	-29,434	-31,760
Interest and investment income	-412	-418
Gain (-) or loss on disposal of assets	-816	-1,304
Income from council tax and non-domestic rates	-17,976	-18,967
Grants and contributions	-30,895	-35,088
<b>Total Income</b>	<b>-79,533</b>	<b>-87,537</b>
<b>Surplus (-) or Deficit on the Provision of Services</b>	<b>-2,584</b>	<b>-1,567</b>

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

Revaluation gains and losses have been consolidated into one 'Revaluations of Property and Assets' line in Expenditure from 2021/22

## 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 2021/22

2021/22	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments to the Revenue Resources</b>						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pensions costs (transferred to (or from) the Pensions Reserve)	2,160	756	-	-	-	-2,915
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	-1,765	-	-	-	-	1,765
Holiday pay (transferred to the Accumulated Absences Reserve)	-54	-21	-	-	-	75
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)	9,965	6,097	-	-	-	-16,062
Reversal of Gains/losses on investments	-884	-	-	-	-	884
<b>Total Adjustments to Revenue Resources</b>	<b>9,422</b>	<b>6,832</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-16,254</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-183	-2,405	-	2,588	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	13	-	-13	-	-
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	142	1,129	-	-	-	-1,271
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	461	-	-	-461	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-6,681	6,681	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-875	-	-	-145	-	1,020
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-455</b>	<b>-7,944</b>	<b>6,681</b>	<b>1,969</b>	<b>-</b>	<b>-251</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-2,185	-	2,185
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-8,091	-	-	8,091
Application of capital grants to finance capital expenditure	-8,483	-528	-	-	2,201	6,811
Capital expenditure charged against the General Fund and HRA balances	-357	-156	-	-	-	513
<b>Total Adjustments to Capital Resources</b>	<b>-8,840</b>	<b>-684</b>	<b>-8,091</b>	<b>-2,185</b>	<b>2,201</b>	<b>17,599</b>
Adjustments between accounting basis & funding basis under regulations	127	-1,797	-1,409	-216	2,201	1,094

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### 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	
<b>Adjustments to the Revenue Resources</b>						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pensions costs (transferred to (or from) the Pensions Reserve)	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
<b>Total Adjustments to Revenue Resources</b>	<b>11,878</b>	<b>5,421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-17,299</b>
<b>Adjustments between Revenue and Capital Resources</b>						
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
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-338</b>	<b>-6,685</b>	<b>5,887</b>	<b>1,011</b>	<b>-</b>	<b>125</b>
<b>Adjustments to Capital Resources</b>						
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
<b>Total Adjustments to Capital Resources</b>	<b>-3,351</b>	<b>-574</b>	<b>-4,442</b>	<b>-1,364</b>	<b>-107</b>	<b>9,838</b>
Adjustments between accounting basis & funding basis under regulations	<b>8,189</b>	<b>-1,839</b>	<b>1,445</b>	<b>-353</b>	<b>-107</b>	<b>-7,336</b>

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

## 10. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure 2021/22.

<b>Transfers to / from Earmarked Reserves 2021/22</b>							
	<b>Balance 31 March 2020</b>	Transfers From 2020/21	Transfers To 2020/21	<b>Balance 31 March 2021</b>	Transfers From 2021/22	Transfers To 2021/22	<b>Balance 31 March 2022</b>
	<b>£000</b>	£000	£000	<b>£000</b>	£000	£000	<b>£000</b>
<b>General Fund:</b>							
Brexit reserve	53	-	-	53	-	-	53
Building control shared service	122	-47	-	75	-24	-	51
Brimscombe Port Redevelopment	-	-	397	397	-	62	459
Business rates pilot	590	-	386	976	-22	399	1,353
Business rates safety net	1,892	-	600	2,492	-	641	3,133
Capital	4,257	-656	-	3,601	-49	-	3,552
Climate change	275	-	163	438	-44	80	475
Collection Fund Smoothing reserve	-	-	5,235	5,235	-4,325	2,325	3,235
Community infrastructure levy	565	-	436	1,001	-1,001	-	-
Covid-19 recovery	492	-139	200	553	-265	23	312
Culture, arts and leisure reserve	130	-14	-	117	-77	30	69
General Fund carry forwards	420	-420	975	975	-825	566	716
Homelessness prevention	98	-	-	98	-	143	240
Investment risk	310	-	-	310	-	-	310
Legal counsel	50	-	-	50	-	-	50
MTFP equalisation	6,723	-	123	6,846	-	1	6,847
Neighbourhood planning grant	14	-2	-	12	-	-	12
Opportunity land purchase	250	-	-	250	-	-	250
PDG	31	-	-	31	-	-	31
Planning appeal costs	100	-	-	100	-	-	100
Projects	-	-	-	-	-	907	907
Redundancy	250	-	-	250	-	-	250
Repairs and replacement	252	-	52	304	-	267	570
Street cleaning funding	12	-11	16	17	-	-	17
Transformation	678	-285	-	393	-293	-	100
Waste management	600	-	-	600	-	311	911
Welfare reform	30	-	-	30	-	-	30
<b>Total earmarked reserves - General Fund</b>	<b>18,192</b>	<b>-1,573</b>	<b>8,583</b>	<b>25,203</b>	<b>-6,925</b>	<b>5,755</b>	<b>24,032</b>
<b>HRA:</b>							
HRA earmarked reserve	3,925	-949	2,692	5,668	-1,007	2,126	6,787
<b>Total earmarked reserves - HRA</b>	<b>3,925</b>	<b>-949</b>	<b>2,692</b>	<b>5,668</b>	<b>-1,007</b>	<b>2,126</b>	<b>6,787</b>
<b>Total earmarked reserves</b>	<b>22,118</b>	<b>-2,522</b>	<b>11,275</b>	<b>30,871</b>	<b>-7,932</b>	<b>7,881</b>	<b>30,819</b>

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

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#### 11. Other Operating Expenditure

<b>Other Operating Expenditure</b>	
<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
4,249 Parish Council Precepts	4,380
148 Levies	155
555 Payments to the Government Housing Capital Receipts Pool	461
<b>-816</b> Gains (-) / losses on the disposal of non-current assets	<b>-1,304</b>
<b>4,136</b> <b>Total Other Operating Expenditure</b>	<b>3,692</b>

#### 12. Financing and Investment Income and Expenditure

<b>Financing &amp; Investment Income &amp; Expenditure</b>	
<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
3,526 Interest payable and similar charges	3,512
889 Net interest on the net defined benefit liability	1,041
<b>-412</b> Interest receivable and similar income	<b>-418</b>
<b>-58</b> Clean Energy Cashback	<b>-4</b>
<b>-181</b> Financial assets change in fair value	<b>-884</b>
165 Bad debt provision	65
<b>3,929</b> <b>Total Financing &amp; Investment Income &amp; Expenditure</b>	<b>3,313</b>

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

<b>Taxation &amp; Non-Specific Grant Income</b>	
<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
<b>-13,645</b> Council tax income	<b>-14,319</b>
<b>-4,331</b> Non-domestic rates	<b>-4,648</b>
<b>-7,227</b> Non-ringfenced government grants	<b>-6,344</b>
<b>-2,463</b> Capital grants and contributions	<b>-8,011</b>
<b>-27,666</b> <b>Total Taxation &amp; Non-Specific Grant Income</b>	<b>-33,322</b>

See Note 38 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 2021/22	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
<b>Cost or valuation</b>						
At 1 April 2021	274,846	2,955	47,762	11,792	328	337,683
Additions	9,782	5,035	2,131	747	-	17,695
Donations	-	-	-	-	-	-
Revaluation increases / decreases (-) recognised in the Revaluation Reserve	20,527	-	-1,313	-	-	19,214
Revaluation increases / decreases (-) recognised in the Surplus / Deficit on the Provision of Services	-6,246	-	-930	-	-	-7,176
Derecognition - disposals	-590	-	-140	-	-	-730
Derecognition - disposals recognised in revaluation reserve	-117	-	-427	-	-	-544
Transfers	2,133	-1,687	-538	-	-	-92
<b>At 31 March 2022</b>	<b>300,335</b>	<b>6,303</b>	<b>46,545</b>	<b>12,539</b>	<b>328</b>	<b>366,050</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
At 1 April 2021	-	-	-482	-6,621	-214	-7,317
Depreciation charge	-6,033	-	-519	-1,443	-11	-8,006
Depreciation written out to the Revaluation Reserve	-	-	-887	-	-	-887
Depreciation written out to the Surplus / Deficit on the Provision of Services	6,033	-	551	-	-	6,584
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>-1,337</b>	<b>-8,064</b>	<b>-225</b>	<b>-9,626</b>
<b>Net Book Value</b>						
<b>At 31 March 2022</b>	<b>300,335</b>	<b>6,303</b>	<b>45,208</b>	<b>4,475</b>	<b>103</b>	<b>356,418</b>
At 31 March 2021	274,846	2,955	47,280	5,171	114	330,360

\*Other land and buildings includes £54k net book value of Community Assets, and £379k net book value of Surplus Assets. Also, the balance between cost or valuation and accumulated depreciation and impairment has been adjusted to agree with the Fixed Asset Register, however overall value brought forward is unchanged.

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### 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
<b>Cost or valuation</b>						
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	-	-	-	-
<b>At 31 March 2021</b>	<b>274,846</b>	<b>2,955</b>	<b>56,736</b>	<b>11,792</b>	<b>328</b>	<b>346,657</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
At 1 April 2020	-	-	-11,142	-5,620	-203	-16,965
Depreciation charge	-5,863	-	-1,238	-1,001	-11	-8,113
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-
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	-	-	-	-	-	-
<b>At 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>-9,456</b>	<b>-6,621</b>	<b>-214</b>	<b>-16,291</b>
<b>Net Book Value</b>						
<b>At 31 March 2021</b>	<b>274,846</b>	<b>2,955</b>	<b>47,280</b>	<b>5,171</b>	<b>114</b>	<b>330,360</b>
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.

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 2022, comprised of construction works at Ringfield Close, Broadfield Road and Summersfield Road to a value of £0.8m 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 were revalued. In 2021/22 Vickery Holman have valued property assets including Brimscombe Port Mill, Littlecombe Business Park, Littlecombe Business Park – Unit 7A and Cashes Green Youth and Social Centre. The Council's internal valuers have revalued the council houses, as well as public conveniences and car parks.

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 2022.

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

15. Heritage Assets

Heritage Assets				
	Heritage Properties	Painting	Warwick Vase	Total
	£000	£000	£000	£000
<b>Cost or valuation At 31 March 2022</b>	<b>20</b>	<b>80</b>	<b>40</b>	<b>140</b>

There were no transactions involving the purchase, donation, disposal or impairment during the five financial years from 2017/18 to 2021/22.

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.

<b>Capital Expenditure and Financing</b>		
	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	<b>110,014</b>	<b>111,332</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	8,458	17,695
Revenue Expenditure Funded from Capital under Statute	4,227	6,650
<b>Sources of Finance</b>		
Capital receipts	-1,363	-2,185
Government grants and other contributions	-2,570	-6,810
Sums set aside from revenue	-5,499	-8,146
Direct revenue contributions	-405	-458
Minimum Revenue Provision	-875	-875
Voluntary Revenue Provision	-655	-145
<b>Closing Capital Financing Requirement</b>	<b>111,332</b>	<b>117,058</b>
<b>Explanation of movement in year</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	1,318	5,726
<b>Increase / decrease(-) in Capital Financing Requirement</b>	<b>1,318</b>	<b>5,726</b>

## 17. Financial Instruments

### Categories of Financial Instruments

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

<b>Categories of Financial Instruments</b>				
	Long-term		Current	
	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000
<b>Investments</b>				
Financial assets at amortised cost	-	-	28,821	28,814
Financial assets at fair value through profit and loss	9,867	10,750	-	-
<b>Total Investments</b>	<b>9,867</b>	<b>10,750</b>	<b>28,821</b>	<b>28,814</b>
<b>Debtors</b>				
Financial assets at amortised cost	284	287	4,816	5,014
<b>Total Debtors</b>	<b>284</b>	<b>287</b>	<b>4,816</b>	<b>5,014</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	-102,717	-100,717	-	-2,000
<b>Total Borrowings</b>	<b>-102,717</b>	<b>-100,717</b>	<b>-</b>	<b>-2,000</b>
<b>Creditors</b>				
Financial liabilities carried at contract cost	-2,186	-2,186	-8,661	-10,896
<b>Total Creditors</b>	<b>-2,186</b>	<b>-2,186</b>	<b>-8,661</b>	<b>-10,896</b>

### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost.

The 2021/22 Code of Practice sets out the fair value valuation hierarchy that authorities are required to follow, to increase consistency and comparability in fair value measurements and related disclosures. Authorities are required to disclose the methods used and any assumptions made in arriving at fair values. The valuation basis adopted for investments and borrowing uses **Level 2 Inputs** – i.e. inputs other than quoted prices that are observable for the financial asset/liability, except for Property Fund and Multi-Asset fund investments which use **Level 1 Inputs** – i.e. unadjusted quoted prices in active markets for identical shares.

The following valuation basis has been applied:

#### Valuation of fixed term deposits (maturity investments)

Valuation is made by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.

Valuation of property fund and multi-asset fund investments

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

Valuation of PWLB loans

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

Valuation of non-PWLB loans payable

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

Inclusion of accrued interest

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

Discount rates used in NPV calculation

The rates for valuation were obtained from the market on 31 March 2022, using bid prices where applicable.

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

The fair values calculated are as follows:

<b>Fair Values - Liabilities</b>				
	<b>31 March 2021</b>		<b>31 March 2022</b>	
	<b>Carrying amount £000</b>	<b>Fair value £000</b>	<b>Carrying amount £000</b>	<b>Fair value £000</b>
Financial liabilities	102,717	131,873	102,717	120,737
Long-term creditors	2,186	1,818	2,186	1,818
Short-term creditors	8,661	8,661	10,896	10,896

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.

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<b>Fair Values - Receivables</b>				
	<b>31 March 2021</b>		<b>31 March 2022</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loans & receivables	33,637	33,637	33,828	33,828
Long-term debtors	284	236	287	239

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

<b>Fair Values - Financial Assets</b>		
	<b>31 March 2021</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
Lothbury Property Fund	3,840	4,401
Hermes Property Fund	1,953	2,285
Royal London Multi-Asset Fund	3,064	3,012
CCLA	<u>1,010</u>	<u>1,057</u>
<b>TOTAL</b>	<b><u>9,867</u></b>	<b><u>10,755</u></b>

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 25).

## 18. 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 25 February 2021 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2021/22 is £138m. This is the maximum limit of external borrowings or other long-term liabilities.

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- The Operational Boundary is £133m. 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 2021/22 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 2022 that this risk was likely to crystallise.

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

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

<b>Potential Maximum Exposure to Credit Risk</b>					
	<b>Amount at 31 March 2022 £000</b>	<b>Historical experience of default %</b>	<b>Historical experience adjusted for market conditions at 31 March 2022 %</b>	<b>Estimated maximum exposure to default &amp; uncollectability at 31 March 2022 £000</b>	<b>Estimated maximum exposure to default &amp; uncollectability at 31 March 2021 £000</b>
Bonds	-	-	-	-	-
Customers	12,837	4.5%	6.0%	770	677
				<b>770</b>	<b>677</b>



## Liquidity Risk

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

### Maturity - Liabilities

	<b>31 March 2021</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
Less than one year	24,995	35,565
Between one and two years	2,000	-
Between two and five years	2,000	2,000
More than five years	100,717	100,717
	<b>129,712</b>	<b>138,282</b>

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

## Refinancing Risk

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

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling of the existing debt.
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

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The maturity analysis of financial liabilities is below.

<b>Maturity Analysis - PWLB</b>		
	<b>31</b>	<b>31</b>
	<b>March</b>	<b>March</b>
	<b>2021</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Less than one year	-	2,000
Between one and two years	2,000	-
Between two and five years	-	-
Between five and ten years	-	6,000
More than ten years*	100,717	94,717
<b>Total</b>	<b>102,717</b>	<b>102,717</b>

\*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.

According to this assessment strategy, at 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

<b>1% Interest Higher</b>	
	<b>2020/21 £000</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	19,708

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.

## 19. Debtors

<b>Debtors</b>		
	<b>31 March 2021 Restated £000</b>	<b>31 March 2022 £000</b>
Trade receivables	2,018	2,141
Prepayments	750	682
Other receivables	8,517	10,014
<b>Total Debtors</b>	<b>11,286</b>	<b>12,837</b>

The presentation of this table has been amended and the balances as at 31 March 2021 have been restated in line with the new presentation. The overall total debtors as at 31 March 2021 has not changed.

**20. Cash and Cash Equivalents**

<b>Cash and Cash Equivalents</b>			
	<b>31</b>	<b>31</b>	
	<b>March</b>	<b>March</b>	
	<b>2021</b>	<b>2022</b>	
	<b>£000</b>	<b>£000</b>	
Cash held by the Authority	2	1	
Bank current accounts	61	-642	
Short-term deposits with banks	19,192	25,120	
<b>Total Cash and Cash Equivalents</b>	<b>19,255</b>	<b>24,479</b>	

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

**21. Assets Held for Sale**

<b>Assets Held for Sale</b>			
	<b>31</b>	<b>31</b>	
	<b>March</b>	<b>March</b>	
	<b>2021</b>	<b>2022</b>	
	<b>£000</b>	<b>£000</b>	
<b>Balance outstanding at 1 April</b>	20	-	
Assets newly classified as held for sale:			
Other land	-	92	
Revaluation gains	-	82	
Assets declassified as held for sale:			
Assets sold	-20	-	
<b>Balance outstanding at 31 March</b>	<b>-</b>	<b>174</b>	

**22. Creditors**

<b>Creditors</b>				
	<b>Current</b>		<b>Non-Current</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>
	<b>Restated</b>		<b>Restated</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade payables	5,522	7,457	-	-
Other payables	19,473	28,108	2,186	2,186
<b>Total Creditors</b>	<b>24,995</b>	<b>35,565</b>	<b>2,186</b>	<b>2,186</b>

The presentation of this table has been amended and the balances as at 31 March 2021 have been restated in line with the new presentation. The overall total creditors as at 31 March 2021 has not changed.

## 23. Provisions

<b>Provisions</b>			
	<b>Housing Repairs</b>	<b>NNDR</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2021</b>	624	912	1,536
Additional provisions made in 2021/22	-	446	446
Amounts used in 2021/22	-	-207	-207
Unused amounts reversed in 2021/22	-624	-	-624
<b>Balance at 31 March 2022</b>	<b>-</b>	<b>1,151</b>	<b>1,151</b>

The Housing Repairs provision was held pending agreement of a final account with a contractor, but is no longer required and has been reversed. The NNDR provision is for the estimated cost of National Non-Domestic Rating appeals.

## 24. Usable Reserves

<b>Usable Reserves</b>	
<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
2,169 General Fund	2,169
25,203 Earmarked General Fund Reserves	24,032
4,611 Housing Revenue Account	4,560
5,668 Earmarked HRA Reserves	6,787
5,965 Major Repairs Reserve	4,556
10,259 Capital Receipts Reserve	10,042
938 Capital Grants Unapplied	3,139
<b>54,813 Total Usable Reserves</b>	<b>55,286</b>

*Note 24 table contains rounding (see Glossary) which affect the arithmetic accuracy of the figures.*

**25. Unusable Reserves**

<b>Unusable Reserves</b>	
<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
61,108 Revaluation Reserve	78,891
158,092 Capital Adjustment Account	160,809
-129 Financial Instruments Revaluation Reserve	754
-51,205 Pensions Reserve	-36,622
-4,999 Collection Fund Adjustment Account	-3,234
-299 Accumulating Absences Adjustment Account	-224
<b>162,567 Total Unusable Reserves</b>	<b>200,373</b>

*Note 25 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.

<b>Revaluation Reserve</b>	
<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
<b>48,726</b> Balance at 1 April	<b>61,108</b>
14,245 Upward revaluation of assets	22,483
-969 Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-3,269
<b>13,276</b> Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>19,214</b>
-693 Difference between fair value depreciation and historical cost depreciation	-887
-202 Accumulated gains on assets sold or scrapped	-544
<b>-895</b> Amount written off to the Capital Adjustment Account	<b>-1,431</b>
<b>61,108</b> Balance at 31 March	<b>78,891</b>

### Capital Adjustment Account

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

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

<b>Capital Adjustment Account</b>		
<b>31 March 2021 £000</b>		<b>31 March 2022 £000</b>
<b>158,845</b>	<b>Balance at 1 April</b>	<b>158,092</b>
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
675	Charges for depreciation and impairment of non-current assets	-2,308
-8,049	Revaluation (losses)/gains on PPE	-7,098
-11	Amortisation of intangible assets	-6
-4,227	Revenue expenditure funded from capital under statute	-6,650
-1,405	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	-1,271
<b>-13,016</b>		<b>-17,333</b>
895	Adjusting amounts written out of the Revaluation Reserve	1,431
<b>-12,121</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>-15,902</b>
<i>Capital financing applied in the year:</i>		
1,364	Use of the Capital Receipts Reserve to finance new capital expenditure	2,185
4,442	Use of the Major Repairs Reserve to finance new capital expenditure	8,091
2,570	Application of grants to capital financing from the Capital Grants Unapplied Account	6,811
875	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	875
655	Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	145
1,463	Capital expenditure charged against the General Fund and HRA balances	513
<b>11,368</b>		<b>18,619</b>
<b>158,092</b>	<b>Balance at 31 March</b>	<b>160,809</b>



## Financial Instruments Revaluation Reserve

The financial instruments revaluation reserve contains the gains and losses made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

Financial Instruments Revaluation Reserve			
	31 March 2021		31 March 2022
£000	£000		£000
	<b>-311</b>	Balance at 1 April	<b>-129</b>
<b>303</b>		Upward revaluation of investments	<b>937</b>
<b>-122</b>		Downward revaluation of investments	<b>-54</b>
	<b>181</b>		<b>884</b>
	<b>-129</b>	Balance at 31 March	<b>754</b>

## 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.

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<b>Pension Reserve</b>	
<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
<b>-39,147</b>	<b>-51,205</b>
<b>Balance at 1 April</b>	
-11,810	17,498
Actuarial gains or losses on pensions assets and liabilities	
-4,406	-6,936
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	
4,158	4,021
Employers pension contributions and direct payments to pensioners payable in the year	
<b>-51,205</b>	<b>-36,622</b>
<b>Balance at 31 March</b>	

### Collection Fund Adjustment Account

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

<b>Collection Fund Adjustment Account</b>	
<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
<b>473</b>	<b>-4,999</b>
<b>Balance at 1 April</b>	
<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>	
-165	65
Council tax	
-5,307	1,700
Non-domestic rates	
<b>-4,999</b>	<b>-3,234</b>
<b>Balance at 31 March</b>	

### Accumulated Absences Account

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

<b>Accumulated Absences Account</b>	
<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
<b>-149</b> Balance at 1 April	<b>-299</b>
149 Settlement or cancellation of accrual made at the end of the preceding year	299
<b>-299</b> Amounts accrued at the end of the current year	<b>-224</b>
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	<b>75</b>
<b>-299</b> Balance at 31 March	<b>-224</b>

**26. Cash Flow Statement – Operating Activities**

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

31 March 2021 £000		31 March 2022 £000
674	Depreciation charges	-2,309
-11	Amortisation charges	-6
-8,030	Impairments and revaluations	-7,083
-13,097	Increase (-) / decrease in creditors	-10,570
2,761	Increase / decrease (-) in debtors	1,551
3	Increase / decrease (-) in long-term debtors	3
-496	Increase (-) / decrease in provisions	385
-248	Non-cash charges for retirement benefits	-2,915
-1,405	Carrying amount of non-current assets sold	-1,271
181	Fair value of long term investments	884
<b>-19,672</b>	<b>Non-cash items in Net Surplus (-) / Deficit</b>	<b>-21,331</b>

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

**27. Cash Flow Statement – Investing Activities**

**Cash Flow Statement - Investing Activities**

31 March 2021 £000		31 March 2022 £000
8,458	Purchase of property, plant and equipment, investment property and intangible assets	17,695
191,189	Purchase of short-term and long-term investments	186,896
-2,232	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-2,588
-181,156	Proceeds from short-term and long-term investments	-186,917
<b>16,259</b>	<b>Net cash flows from investing activities</b>	<b>15,086</b>

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

**Cash Flow Statement - Financing Activities**

31 March 2021 £000		31 March 2022 £000
1,000	Repayments of short- and long-term borrowing	-
<b>1,000</b>	<b>Net cash flows from financing activities</b>	<b>-</b>

## 29. Members' Allowances

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

<b>Members' Allowances</b>		
	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Allowances	343	356
Expenses	-	1
<b>Total Members' Allowances</b>	<b>343</b>	<b>357</b>

## 30. Officers' Remuneration

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

<b>Officers' Remuneration</b>				
	<b>Year</b>	<b>Salary, Fees &amp; Allowances</b>	<b>Pension Contribution</b>	<b>Total</b>
		<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	2021/22	120,214	23,682	143,896
	2020/21	118,437	23,332	141,769
Strategic Director of Resources	2021/22	86,722	17,084	103,806
	2020/21	84,511	16,648	101,159
Strategic Director of Transformation & Change	2021/22	82,978	16,347	99,325
	2020/21	85,282	16,800	102,082
Strategic Director of Place	2021/22	88,777	17,489	106,266
	2020/21	87,337	17,205	104,542
Strategic Director of Communities	2021/22	83,639	16,477	100,116
	2020/21	82,200	16,193	98,393

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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	2020/21 Number of employees	2021/22 Number of employees
£50,000 - 54,999	8	10
£55,000 - 59,999	6	6
£60,000 - 64,999	1	1
£65,000 - 69,999	1	1

### 31. Termination Benefits

The Council terminated the contracts of 3 employees in 2021/22, incurring a liability of £220k (2 employees, £30k in 2020/21).

Termination Benefits									
Exit package cost	Compulsory		Other		Total exit		Total cost of exit		
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £000	2021/22 £000	
0 - 20	-	-	1	-	1	-	8	-	
20 - 40	-	-	1	1	1	1	22	25	
40 - 60	-	-	-	-	-	-	-	-	
60 - 80	-	-	-	-	-	-	-	-	
80 - 100	-	-	-	2	-	2	-	195	
100 - 120	-	-	-	-	-	-	-	-	
<b>TOTAL</b>	-	-	2	3	2	3	30	220	

## **32. 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:

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### Transactions Relating to Post-employment Benefits

	Local Government Pension Scheme	
	2020/21	2021/22
	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services</i>		
Current service cost	3,517	5,825
Past service costs (including curtailments)	-	70
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	889	1,041
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,406</b>	<b>6,936</b>
<b>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Return on plan assets (excluding the amount included in the net interest expense)	-22,090	-5,725
Actuarial gains and losses on changes in demographic assumptions	1,854	-876
Actuarial gains and losses arising on changes in financial assumptions	33,443	-11,219
Other experience	-1,397	322
<b>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>16,216</b>	<b>-10,562</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	-12,058	14,583
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employer contributions payable to the scheme	<b>4,158</b>	<b>4,021</b>



### 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:

<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>		
	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Present value of the defined benefit obligation	-166,093	-160,060
Fair value of plan assets	114,888	123,439
<b>Net liability arising from the defined benefit obligation</b>	<b>-51,205</b>	<b>-36,621</b>

The present value of unfunded benefits is £856k (£925k 2020/21).

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

<b>Reconciliation of the Movements in the Fair Value of Scheme Assets</b>		
	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Opening fair value of scheme assets	90,063	114,888
Interest income	2,080	2,302
<i>Remeasurement gain / (loss):</i>		
The return on plan assets, excluding the amount included in the net interest expense	22,090	5,725
Contributions from employer	4,099	3,964
Contributions from employees into the scheme	675	730
Benefits paid	-4,119	-4,170
<b>Closing fair value of scheme assets</b>	<b>114,888</b>	<b>123,439</b>

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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)

	2020/21	2021/22
	£000	£000
<b>Opening balance at 1 April</b>	129,210	166,093
Current service cost	3,517	5,825
Interest cost	2,969	3,343
Contributions from scheme participants	675	730
<i>Remeasurement (gains) and losses:</i>		
Actuarial (gains) / losses arising from changes in demographic assumptions	1,854	-876
Actuarial (gains) / losses arising from changes in financial assumptions	33,443	-11,219
Other	-1,397	322
Past service cost - including curtailments	-	70
Benefits paid	-4,178	-4,228
<b>Closing balance at 31 March</b>	<b>166,093</b>	<b>160,060</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £160.060m 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 £36.621m. 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 2023 are £3.683m. 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 2023 are £59k.

## Local Government Pension Scheme Assets Comprised

Local Government Pension Scheme Assets Comprised								
Asset Category	31 March 2021				31 March 2022			
	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
	<b>Debt Securities:</b>							
Corporate bonds (investment grade)	12,960	-	12,960	11%	-	-	-	0%
Corporate bonds (non-investment grade)	286	-	286	0%	-	-	-	0%
UK Government	1,470	-	1,470	1%	-	-	-	0%
Other	441	-	441	0%	-	-	-	0%
<b>Private Equity:</b>								
All	-	587	587	1%	-	1,347	1,347	1%
<b>Real Estate:</b>								
UK Property	5,562	1,711	7,273	6%	5,142	3,583	8,725	7%
Overseas Property	-	538	538	0%	-	860	860	1%
<b>Investment Funds and Unit Trusts:</b>								
Equities	-	76,232	76,232	67%	-	83,988	83,988	69%
Bonds	8,363	285	8,648	8%	7,888	14,872	22,760	18%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	584	584	1%	-	1,243	1,243	1%
Other	-	2,641	2,641	2%	-	2,937	2,937	2%
<b>Derivatives:</b>								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	28	-	28	0%	-	-	-	0%
Other	8	-	8	0%	-	-	-	0%
<b>Cash and Cash Equivalents:</b>								
All	3,192	-	3,192	3%	1,645	-	1,645	1%
<b>Totals</b>	<b>32,310</b>	<b>82,578</b>	<b>114,888</b>	<b>100%</b>	<b>14,676</b>	<b>108,830</b>	<b>123,505</b>	<b>100%</b>

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

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council being based on the latest full valuation of the scheme as at 31 March 2019. The principal assumptions used by the actuary have been:

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<b>Assumptions</b>		
	<b>2020/21</b>	<b>2021/22</b>
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.9	21.7
Women	24.3	24.1
Longevity at 65 for future pensioners:		
Men	22.9	22.6
Women	26.0	25.8
Rate of inflation	2.9%	3.2%
Rate of increase in salaries	3.2%	3.5%
Rate of increase in pensions	2.9%	3.2%
Discount rate	2.0%	2.7%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below is based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume 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.

<b>Change in Assumptions at 31 March 2022</b>		
	<b>Estimated % increase to Employer Liability</b>	<b>Estimated monetary amount £000</b>
0.1% decrease in Real Discount Rate	2%	3,067
* 1-year increase in member life expectancy	4%	6,402
0.1% increase in the Salary Increase Rate	0%	265
0.1% increase in the Pension Increase Rate	2%	2,780

\*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 latest triennial valuation were provisionally completed on 31 March 2022.

Stroud District Council anticipates employer contributions of £3.683m to the scheme in 2022/23.

## 33. External Audit Costs

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

<b>External Audit Costs</b>		
	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
External audit services carried out by the appointed auditor for the year	45	60
Change in scope of 2020/21 audit - Value for Money	15	-
Additional costs for audit of prior year	29	20
<b>Total External Audit Costs</b>	<b>89</b>	<b>80</b>

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### 34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22 and 2020/21:

<b>Grant Income, Contributions and Donations</b>		
	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Total Non Ringfenced Government Grants</b>		
MHCLG - New Homes Bonus Scheme	1,331	880
MHCLG - New Burdens	8	8
Government Covid Grants	5,847	5,288
Other Non Ringfenced Government Grants	41	3
Other Grants	-	59
S31 Grants	-	105
<b>Total Non Ringfenced Government Grants</b>	<b>7,227</b>	<b>6,344</b>
<b>Capital Grants &amp; Contributions:-</b>		
Better Care Fund	339	- 144
Homes England Grant	173	140
CCG Health Through Warmth	200	200
Warm & Well	568	652
Heritage Lottery Fund	362	3,209
Green Homes and Home Upgrade Scheme	440	1,569
Canal	375	-
Land Release Fund		776
Environment Agency Stroud Valleys	-	45
Community Infrastructure Levy	-	1,118
BEIS Hsg Decarbon Demo Grant	-	426
Other Capital Grants and Contributions	7	21
<b>Total Capital Grants &amp; Contributions</b>	<b>2,463</b>	<b>8,011</b>
<b>Total Grants and Contributions Credited to Services</b>		
DWP Housing Benefit Grant	16,926	16,296
DWP Discretionary Housing Payments / In & Out of Work	78	97
DWP Housing Benefit Administration Grant	279	258
MHCLG Flexible Homelessness Support Grant	154	260
MHCLG Business Rate Collection	155	163
GCC Recycling Credits	1,001	947
Refuse Collection Credits	38	-
Private Housing MEES	-	65
Environment Agency Stroud Valleys		50
Brimscombe Port	910	-
Government Covid Grants	36	92
Other LA Covid Grants	256	632
Holiday Activity Fund	-	284
Clinical Commissioning Group Grants	-	230
Rough Sleeping	-	81
CT Hardship Grant	629	102
Contributions towards the Canal Project	-	340
Other Grants and Contributions	743	837
<b>Total Grant and Contributions Credited to Services</b>	<b>21,206</b>	<b>20,734</b>
<b>Total Government Grants and Third Party Contributions</b>	<b>30,895</b>	<b>35,088</b>

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

## 35. 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 34.

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2021/22 and 2020/21 is shown in note 29. 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**

There are no 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 2021/22, 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 2021/22 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 to the Council.

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#### **36. Contingent Liabilities**

The Council has no contingent liabilities as at 31 March 2021 or 31 March 2022.

#### **37. Contingent Assets**

The Council had lodged a claim for overpaid postage VAT of up to £0.65m as at 31 March 2022, but withdrew from legal proceedings in May 2022.

#### **38. 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.

Any amounts shown as held on the balance sheet relate to that financial year and will not necessarily be the full balance held.



## Covid-19 Government Funding

2020/21		2021/22	
£000	£000	£000	£000
<b>Credited to Services</b>			
36	Reopening of the High Streets (ERDF funding)	85	
629	Council Tax Hardship Fund	0	
_____	Community Outbreak Management Fund	2	
	665	_____	87
<b>Credited to Taxation and Non Specific Grant Income</b>			
1,486	Covid-19 LA Support Grant	470	
1,322	Sales, Fees and Charges	133	
120	Tax Income Guarantee	0	
31	BID Support	0	
1,340	Discretionary Business Grants	0	
39	Test and Trace Support Payments (Discretionary)	161	
466	Local Restrictions Support Grant (Open)	6	
741	Additional Restrictions Grants	4,008	
_____	Local Council Tax Support Grant	174	
302	New Burdens Funding	336	
	5,847	_____	5,288
	<b>6,512 Total Included in Comprehensive Income and Expenditure Statement</b>		<b>5,375</b>
<b>Acting as agent on behalf of Government</b>			
17,570	Small Business Grants	-50	
7,905	Retail, Hospitality and Leisure Business Grants	0	
59	Test and Trace Support Payments (Main Scheme)	176	
99	Local Restrictions Support Grant (Closed)	0	
2	Local Restrictions Support Grant (Sector)	0	
57	Christmas Support Payments (Wet Led Pubs)	0	
5,153	Local Restrictions Support Grant (Closed Addendum)	77	
3,522	Closed Business Lockdown Payments	58	
_____	Restart Grants	5,550	
	Omicron Hospitality and Leisure	1,091	
	34,367	_____	6,902
<b>Grant income received but not yet recognised (held as Government creditor)</b>			
56	Test and Trace Support Payments (Discretionary)	0	
2,724	Additional Restrictions Grants	0	
21	Test and Trace Support Payments (Main Scheme)	0	
15	Local Restrictions Support Grant (Closed)	0	
2,430	Local Restrictions Support Grant (Closed Addendum)	0	
1,797	Closed Business Lockdown Payments	0	
_____	Community Outbreak Management Fund	119	
	7,043		119
<b>Grant income to be returned to Government (held as Government creditor)</b>			
20	Small Business Grants	50	
45	Retail, Hospitality and Leisure Business Grants	0	
13	Christmas Support Payments (Wet Led Pubs)	0	
_____	Closed Business Lockdown Payments	861	
	Omicron Hospitality and Leisure	415	
	Protect and Vaccinate	46	
	78	_____	1,372
<b>Grant income recognised but not yet received (held as Government debtor)</b>			
-476	Sales, Fees and Charges	0	
-120	Tax Income Guarantee	0	
_____	Test and Trace Support Payments (Discretionary)	-37	
	Test and Trace Support Payments (Main Scheme)	-87	
	Reopening of the High Streets (ERDF funding)	-85	
	-596	_____	-209
	<b>47,404 Total grant income received</b>		<b>13,559</b>

# 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

2020/21		2021/22
£000		£000
	<b>Income</b>	
-20,993	Dwelling rents	6 -21,251
-220	Non-dwelling rents	8 -214
-1,217	Charges for services and facilities	-1,271
-200	Transfers from General Fund	-200
-292	Contribution towards expenditure	-319
<b>-22,922</b>	<b>Total income</b>	<b>-23,255</b>
	<b>Expenditure</b>	
4,455	Repairs and maintenance	4,845
4,261	Supervision and management	5,155
2,073	Special services	2,076
5,299	Depreciation, impairment and revaluation	11 6,097
138	Increased provision for bad or doubtful debt	10 63
<b>16,226</b>	<b>Total expenditure</b>	<b>18,236</b>
<b>-6,696</b>	<b>Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>-5,018</b>
321	HRA share of corporate and democratic core	345
<b>-6,375</b>	<b>Net cost of HRA services</b>	<b>-4,674</b>
	<b>HRA share of operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>	
-798	Gain (-) or loss on sale of HRA non-current assets	13 -1,263
3,379	Interest payable and similar charges	3,379
-27	HRA interest and investment income	-50
231	Pensions interest cost and expected return on pensions assets	271
-173	Capital grants and contributions receivable	-528
<b>-3,763</b>	<b>Surplus (-) / deficit for the year on HRA services</b>	<b>-2,865</b>

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

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## Appendix A

### Movement on the Housing Revenue Account Statement

2020/21 £000		2021/22 £000
<b>-4,430</b>	<b>Balance on the HRA at 1 April</b>	<b>-4,611</b>
<b>-3,763</b>	Surplus (-) / deficit for the year on the HRA Income and Expenditure Statement	<b>-2,865</b>
1,839	Adjustments between accounting basis and funding basis under regulations	1,797
<b>-1,924</b>	Net increase (-) or decrease before transfers to or from reserves	<b>-1,068</b>
1,743	Transfers to or from reserves	1,119
<b>-181</b>	<b>Increase (-) or decrease in year on HRA</b>	<b>51</b>
<b>-4,611</b>	<b>Balance on the HRA at 31 March</b>	<b>-4,560</b>

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

### Note to the Movement on the Housing Revenue Account Statement

2020/21 £000		2021/22 £000
-41	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)	-
173	Capital grants and contributions receivable	528
798	Gain or loss (-) on sale of HRA non-current assets	1,263
-81	HRA share of contributions to or from the Pensions Reserve	-756
402	Capital expenditure funded by the HRA	156
5,887	Transfer to / from (-) Major Repairs Reserve	6,681
-5,299	Transfer to / from (-) the Capital Adjustment Account	-6,077
<b>1,839</b>	<b>Net additional amount required to be credited (-) or debited to the HRA balance for the year</b>	<b>1,797</b>

*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													
2020/21						2021/22							
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
1,246	-1				1,245	Bungalows		1,245	-			2	1,247
1,492	-1			2	1,493	Flats		1,493	-1			5	1,497
2,200	-8			8	2,200	Houses		2,200	-9		-2	6	2,195
14					14	Maisonettes		14					14
39		-1		2	40	Shared ownership		40		-		5	45
<b>4,991</b>	<b>-10</b>	<b>-1</b>	<b>-</b>	<b>12</b>	<b>4,992</b>	<b>Total Housing Stock</b>		<b>4,992</b>	<b>-10</b>	<b>-</b>	<b>-2</b>	<b>18</b>	<b>4,998</b>

The Council was responsible for managing an average of 4,995 dwellings during the year. 10 dwellings were sold under the right-to-buy legislation, compared to a total of 11 sales in the previous year. There were 18 dwellings added, 12 through the new build programme and 6 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 21	Additions in year	Disposals	Revaluation	Depreciation and impairment	Transfers	Balance 31 March 22
<b>Operational assets</b>							
Council dwellings	274,846	9,782	-706	20,313	-6,033	2,133	300,335
Community assets	23						23
Development sites	2,954	5,035				-1,687	6,302
Other land and buildings	5,252		-423	850	-32	-92	5,555
<b>Non-operational assets</b>							
Asset held for sale	-			82		92	174
<b>Total Net Fixed Assets</b>	<b>283,075</b>	<b>14,817</b>	<b>-1,129</b>	<b>21,245</b>	<b>-6,065</b>	<b>446</b>	<b>312,389</b>

In 2021/22 the Council Dwelling stock was revalued and increased in value by £20.313m (revaluation increase of £24.062m, plus £6.033m depreciation reversal, less capital spend of £9.782m; increase of £6.844m in 2020/21).

### 2. Vacant Possession Value of Dwellings

The open market vacant possession of dwellings including land within the HRA at 31 March 2022, at March 2022 prices, is £858m (March 2021 £785m). The value of dwellings net of the social element factor (35%) is £300m. The difference of £558m 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	
2020/21 £000	2021/22 £000
<b>-4,520</b> Balance at 1 April	<b>-5,965</b>
-5,887 Transferred in	-6,681
4,442 Financing of Capital expenditure	8,090
- Contribution towards repayment of debt	-
<b>-5,965</b> Balance at 31 March	<b>-4,556</b>

#### 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 2020/21	Financing 2020/21				Capital schemes <i>Figures in £000s</i>	Spend 2021/22	Financing 2021/22			
	Capital receipts	Capital grants	Borrowing	Revenue funding			Capital receipts	Capital grants	Borrowing	Revenue funding
4,436	-	-	-	4,436	Major Works Programme	8,316	-	426	-	7,890
2,293	1,336	196	761	-	New Build and Development	6,145	2,137	140	3,868	-
442	15	22	-	405	Independent Living Modernisation	356	-	-	-	356
<b>7,171</b>	<b>1,351</b>	<b>218</b>	<b>761</b>	<b>4,841</b>	<b>Total capital expenditure</b>	<b>14,817</b>	<b>2,137</b>	<b>566</b>	<b>3,868</b>	<b>8,246</b>

#### 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	
2020/21 £000	2021/22 £000
1,496 Council house sales	1,263
<b>-12</b> Less: Cost of sales	<b>-13</b>
64 Other receipts	1,142
<b>1,548</b> Total capital receipts	<b>2,392</b>
<b>-555</b> Less: Pooled receipts paid to Government	<b>-461</b>
<b>993</b> Total usable capital receipts	<b>1,931</b>

#### 6. Rent Income

This is the total dwelling rent collectable for the year after allowance for empty property. At 31 March 2022 there were 176 vacant properties for rent representing 3.5% of the total (on 31 March 2021 the figures were 214 and 4.3%). The average weekly rent at 31 March 2022 was £85.19, an increase of £1.57 or 1.9%, 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 £353k in respect of former tenants, has increased by £27k (3.6%). See also note 10.

<b>Analysis of rent arrears</b>	
<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
33 Court costs	27
389 Current rent arrears	395
326 Former tenant arrears	353
<b><u>748</u> Gross arrears at 31 March</b>	<b><u>775</u></b>

**8. Non-dwelling Rents**

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

**9. Pensions Accounting**

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

**10. Allowance for Bad Debt**

The cumulative allowance for uncollected debts was £0.804m at 31 March 2022 (£0.771m at 31 March 2021).

**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 2021/22. 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 £6.033m (£5.863m in 2020/21). The depreciation charge for other buildings is £0.032m.

The debit of £6.077m to the HRA Income and Expenditure Statement includes upwards revaluations of properties of £21.245m (net of adjustments for depreciation and component replacement), with £21.257m transferring to the revaluation reserve (upwards net revaluations of £6.857m, of which £6.269m was transferred from the revaluation reserve in 2020/21).

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<b>Depreciation, Impairment and Revaluation</b>	
<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
-6,857 Revaluation	-21,245
<u>6,269</u> Revaluation - revaluation reserve	<u>21,257</u>
<b>-588</b>	<b>12</b>
<u>5,887</u> Depreciation	<u>6,065</u>
<b><u>5,299</u></b> Balance at 31 March	<b><u>6,077</u></b>

*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

2020/21			2021/22				
Business rates £000	Council tax £000	Total £000	Income	notes	Business rates £000	Council tax £000	Total £000
-	-85,274	-85,274	Council tax receivable	16	-	-90,744	-90,744
-19,965		-19,965	Net rates payable by ratepayers	18	-25,187		-25,187
<b>Expenditure</b>							
<b>Apportionment of previous year surplus / deficit (-)</b>							
141	-	141	Central Government		-5,357	-	-5,357
82	-11	71	Stroud District Council		-4,286	-39	-4,325
-2	-50	-52	Gloucestershire County Council		-1,071	-173	-1,244
-	-10	-10	Gloucestershire Police and Crime Commissioner		-	-33	-33
<b>Precepts / shares</b>							
14,471	-	14,471	Central Government		14,545	-	14,545
11,577	9,573	21,150	Stroud District Council		11,636	9,913	21,549
2,894	60,600	63,494	Gloucestershire County Council		2,909	64,223	67,132
-	11,588	11,588	Gloucestershire Police and Crime Commissioner		-	12,309	12,309
-	4,248	4,248	Parish and Town Councils		-	4,380	4,380
<b>Charges to collection fund</b>							
40	-	40	Less: Write-offs / Write-ons (-) of uncollectable amounts		161	-	161
1,271	691	1,962	Less: Increase / decrease (-) in bad debt provision		-414	65	-349
1,242	-	1,242	Less: Increase / decrease (-) in provision for appeals		598	-	598
155	-	155	Less: Cost of collection		156	-	156
-	-	-	Interest		-	-	-
205	-1	204	Less: Transitional protection payments		96	-1	95
1,352	-320	1,032	Less: Disregarded amounts		1,311	-321	990
<b>13,463</b>	<b>1,035</b>	<b>14,498</b>	<b>Surplus (-) / deficit for the year</b>		<b>-4,903</b>	<b>-421</b>	<b>-5,324</b>
-849	65	-1,122	Balance at 1 April		12,614	1,100	13,713
<b>12,614</b>	<b>1,100</b>	<b>13,376</b>	<b>Balance at 31 March</b>		<b>7,711</b>	<b>679</b>	<b>8,389</b>

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

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## Appendix A

### 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 2021/22 was calculated as follows:

<b>Council Tax Base</b>			
<b>Band</b>	<b>Estimated number of properties after effect of discounts</b>	<b>Ratio</b>	<b>Band D equivalent dwellings</b>
DISR A	12.55	5/9	6.97
A	4,622.05	6/9	3,081.37
B	9,646.89	7/9	7,503.14
C	10,802.93	8/9	9,602.60
D	7,569.26	9/9	7,569.26
E	6,563.26	11/9	8,021.76
F	4,000.74	13/9	5,778.85
G	2,408.66	15/9	4,014.43
H	227.75	18/9	455.50
	<u>45,854.09</u>		<u>46,033.88</u>
	Less: Adjustment for collection rate (1%)		<u>-460.31</u>
	<b>Council Tax Base</b>		<b><u>45,573.57</u></b>

**16. Council Tax Income**

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

<b>Income from Council Tax</b>		
	<b>2020/21</b>	<b>2021/22</b>
Total council tax base (see note 15)	45,045.38	45,573.57
Multiplied by average band D tax rate (see note 17)	£1,909.40	£1,992.93
	<b>£000</b>	<b>£000</b>
<b>Total property income</b>	<b>-86,010</b>	<b>-90,825</b>
Add: Transitional relief	1	1
Add: Other adjustments	735	80
<b>Income from Council Tax</b>	<b>-85,274</b>	<b>-90,744</b>

**17. Council Tax Rates**

<b>Council Tax Rates by Precepting Body and Band</b>									
	Band								
Precepting body	disr A	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£	£
District council	120.84	145.01	169.18	193.35	217.52	265.86	314.20	362.53	435.04
County council	782.90	939.48	1,096.06	1,252.64	1,409.22	1,722.38	2,035.54	2,348.70	2,818.44
Police authority	150.04	180.05	210.06	240.07	270.08	330.10	390.12	450.13	540.16
Average parish	53.39	64.07	74.75	85.43	96.11	117.47	138.83	160.18	192.22
<b>Total</b>	<b>1,107.18</b>	<b>1,328.62</b>	<b>1,550.06</b>	<b>1,771.49</b>	<b>1,992.93</b>	<b>2,435.80</b>	<b>2,878.68</b>	<b>3,321.55</b>	<b>3,985.86</b>

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

**18. Income from Business Ratepayers**

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate set nationally by Central Government.

Local authorities retain a proportion of the total collectable rates due. In 2021/22, Stroud's local share is 40% with the remainder due to Central Government (50%) and Gloucestershire County Council (10%).

The net business rates for 2021/22 were estimated before the start of the year at £29.089m (£11.636m to Stroud, £2.909m to Gloucestershire County Council and £14.545m to Central Government). In addition, a share of the estimated collection fund deficit from 2020/21 of £10.714m has been charged to the collection fund and distributed according to the relevant shares. Stroud's share of the estimated deficit was £4.286m.

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#### Net Rates Payable by Ratepayers

	£000	£000
	2020/21	2021/22
<b>Gross rates payable by ratepayers</b>	<b>39,872</b>	<b>39,322</b>
<i>Less:</i>		
Transitional relief	205	96
Mandatory reliefs	-6,996	-7,470
Unoccupied property relief	-1,281	-1,190
Discretionary reliefs (unfunded)	-201	-297
Discretionary reliefs (funded through s31 grant)	-11,634	-5,274
<b>Total cost of reliefs</b>	<b>-19,907</b>	<b>-14,135</b>
<b>Net Rates Payable by Ratepayers</b>	<b>19,965</b>	<b>25,187</b>

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 2021/22 of £23.277m (£15.700m in 2020/21).

For 2021/22, the total non-domestic rateable value at the year-end is £81.277m (£80.829m in 2020/21). The national multipliers for 2021/22 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 2020/21).

#### 19. Business Rate Net Share

The income credited to the Comprehensive Income and Expenditure Statement for business rates is £4.648m (2020/21 £4.330m). This comprises as follows:

#### Net Share from Business Rates

	£000	£000
	2020/21	2021/22
SDC local share	11,577	11,636
<i>Add:</i> Share actual prior year deficit / surplus (-)	-334	5,045
<i>Less:</i> Share of estimated prior year deficit (-) / surplus	82	-4,286
<i>Less:</i> Share of current year deficit (-) / surplus	-5,045	-3,085
	<b>6,280</b>	<b>9,310</b>
<i>Less:</i> Tariff payment to Government	-7,978	-7,978
Levy	-928	-1,184
<i>Add:</i> Section 31 grant	1,593	1,585
Section 31 grant - related to Covid Support	4,619	2,197
Renewable energy schemes	359	319
<b>Net income from business rates</b>	<b>3,945</b>	<b>4,249</b>
<i>Add:</i> Gloucestershire BR pool surplus / deficit (-)	386	399
<b>Net income from business rates</b>	<b>4,330</b>	<b>4,648</b>

*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 2021/22 are as follows:

<b>Share of Collection Fund</b>		
	<b>£000 Council tax</b>	<b>£000 Business rates</b>
Stroud District Council	-111	-3,084
Gloucestershire County Council	-477	-771
Gloucestershire Police	-91	-
Central Government	-	-3,856
<b>Total surplus / deficit (-)</b>	<b>-679</b>	<b>-7,711</b>

*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 £3.196m, which will be reclaimed from the General Fund in future years, a compensating earmarked reserve is being held of £3.235m to ensure there is no impact on revenue budgets.

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

A Council Tax provision was made during 2021/22 amounting to £67k (2020/21 £691k). This was calculated using CIPFA Guidelines. The total amount of the provision at 31 March 2022 is £874k and represents 20% of the £4.392m debt outstanding (£939k, 20% and £4.666m at 31 March 2021).

The Business Rate provision for bad debts is £1.248m and represents 55% of the £2.274m outstanding amount (£1.662m, 67% and £2.471k at 31 March 2021).

# Agenda Item 7

Appendix A

## **Independent Auditor's Report**

Keep free for opinion

Keep free for opinion

# Agenda Item 7

## Appendix A

Keep free for opinion



Keep free for opinion

# Agenda Item 7

## Appendix A

### 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,

including those relating to the production of statement of accounts.

Collection Fund	Stroud District Council collects council tax and business rates on behalf of a number of public bodies – Gloucestershire County Council, Gloucestershire Police and Crime Commissioner and town and parish councils. Also, the Council is lead authority of the Gloucestershire Business Rates Pool. The Collection Fund account is separate to the Council's normal funds, belonging collectively to these bodies.
Corporate and Democratic Core (CDC)	Comprises two divisions of service: democratic representation and management (DRM) and corporate management (CM). If anything does not fall within the definitions given for either DRM or CM, then it cannot be within CDC. DRM concerns corporate policy-making and all other member-based activities. CM concerns those activities and costs that relate to the general running of the Council. These provide the infrastructure that allows services to be provided, whether by the Council or not, and the information required for public accountability. Activities relating to the provision of services, even indirectly, are overheads on those services, not CM.
Curtailment	A curtailment for a defined benefit pension scheme is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of the defined benefit for some or all of their future service. Curtailments include: Termination of employees' services earlier than expected, for example as a result of discontinuing a segment of business. Termination or amendment of the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will only qualify for reduced benefits.
Depreciation	Charges reflecting the decline in the value (not cost) of assets as a result of their usage or ageing.
Estimate	Often used instead of the word <i>budget</i> , and is a forecast of income and expenditure for the year.
Forecast Gloucestershire Business Rates Pool (GBRP)	An estimate of income and expenditure in a financial year. 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

# Agenda Item 7

## Appendix A

	must fully recognise in the publication of their statement of accounts.
Intangible Asset	Expenditure on assets that gives access to a future economic benefit that is controlled by the Council such as software licences.
Impairment	Values of individual assets and categories of assets that are reviewed for evidence of reductions in value.
Investment Assets	Interest in land and/or buildings which is held for its investment potential, any rental being negotiated at arm's length.
Material	Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessment of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or combination of both, could be the determining factor.
Medium Term Financial Plan (MTFP)	The Council's rolling five-year estimate of all effects on the <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.

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	An irrevocable action that relieves the employer (or defined benefit scheme) of the primary responsibility for the pension obligation and eliminates risks relating to the obligation and the assets used to effect the settlement. Settlements include: A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits, The purchase of an irrevocable annuity contract sufficient to cover vested benefits, and The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.
Tax Base	Used to measure the taxable value of properties in a council's area based upon numbers of properties in each tax band.
Underspend	Where <i>actual</i> expenditure is less than the <i>budget</i> .

# Agenda Item 7

Appendix A

## Feedback form – your views

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

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

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

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

Andrew Cummings, Strategic Director of Resources  
Tel: 01453 754115. Fax 01453 754936. Email: [finance@stroud.gov.uk](mailto: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?**

.....  
.....  
.....  
.....  
.....

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

.....  
.....  
.....  
.....

Your name .....

Your address.....  
.....

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

**Thank you**



## Planning report to the Audit & Standards Committee for the year ending 31 March 2022

Issued on 9 September 2022 for the Audit & Standards Committee on the 27 September 2022  
Audit and Standards Committee  
Deloitte Confidential - Government and Public Services - For Approved External Use Only

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# Audit lead introduction

## The key messages in this report

I have pleasure in presenting our planning report to the Audit & Standards Committee for the audit of the 2021/22 financial statements. I would like to draw your attention to the key messages of this paper:

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; and
- A well planned and delivered audit that raises findings early with those charged with governance.

### **Audit Plan**

We have updated our understanding of the Council through discussion with management and review of relevant documentation from across the Council.

Based on these procedures, we have developed this plan in collaboration with the Council to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Council.

### **Significant Audit Risks**

We have taken an initial view as to the significant audit risks the Council faces. These have been identified as:

- Capital expenditure;
- Management Override of Controls; and
- Valuation of Car parks.

In addition, other areas of audit focus are identified as the pension liability and Covid-19 grants.

### **Our Commitment to Quality**

We are committed to providing the highest quality audit, with input from our market leading specialists, sophisticated data analytics and our wealth of experience.

**Michelle Hopton**  
Audit Lead

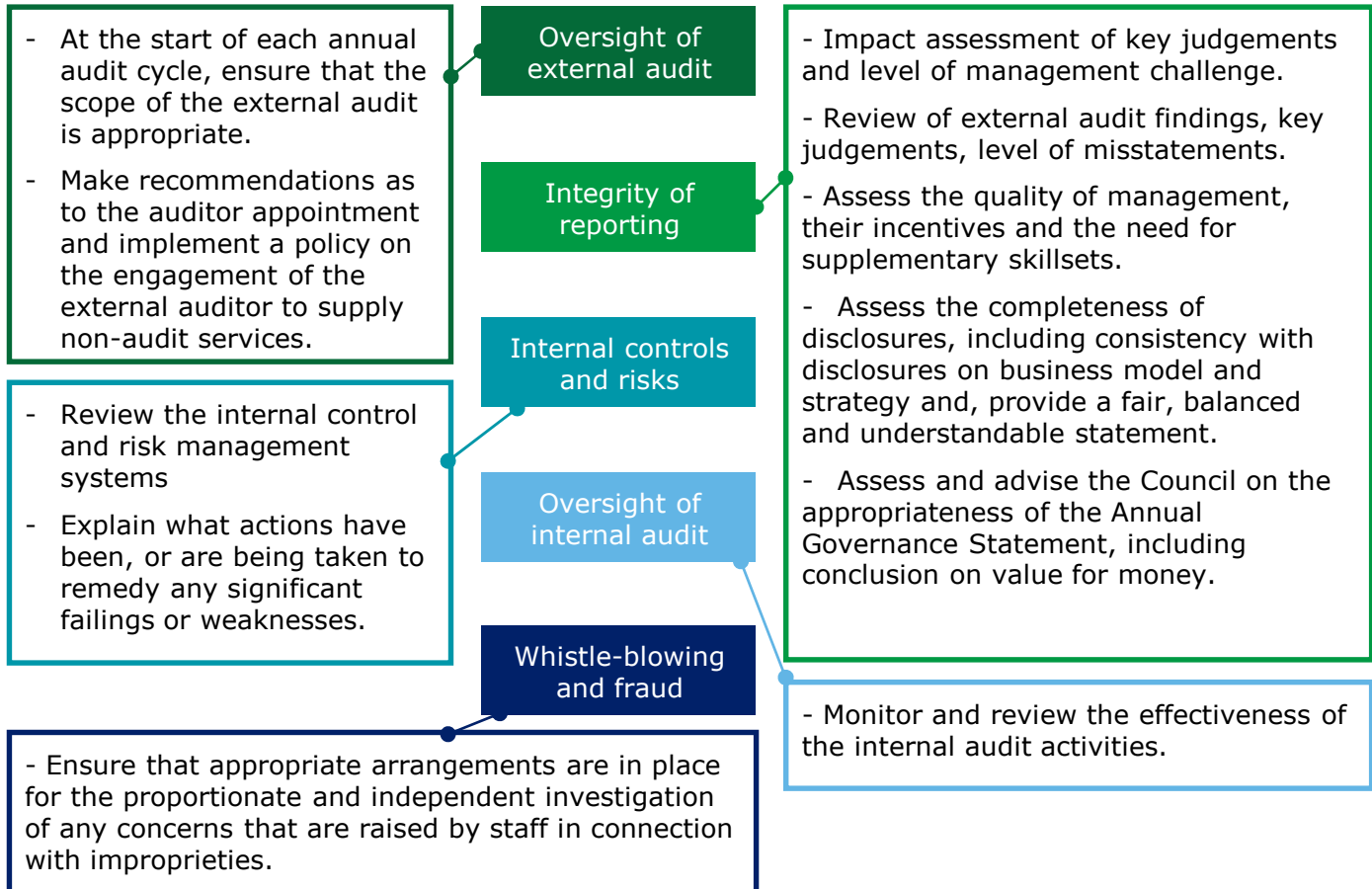
# Responsibilities of the Audit & Standards Committee

## Helping you fulfil your responsibilities

Why do we interact with the Audit & Standards Committee?



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.



# Your control environment

## What we consider when we plan the audit

### Responsibilities of management

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibilities of the Audit & Standards Committee

As previously noted in the Responsibilities of the Audit & Standards Committee on page 4, the Audit & Standards Committee is responsible for:

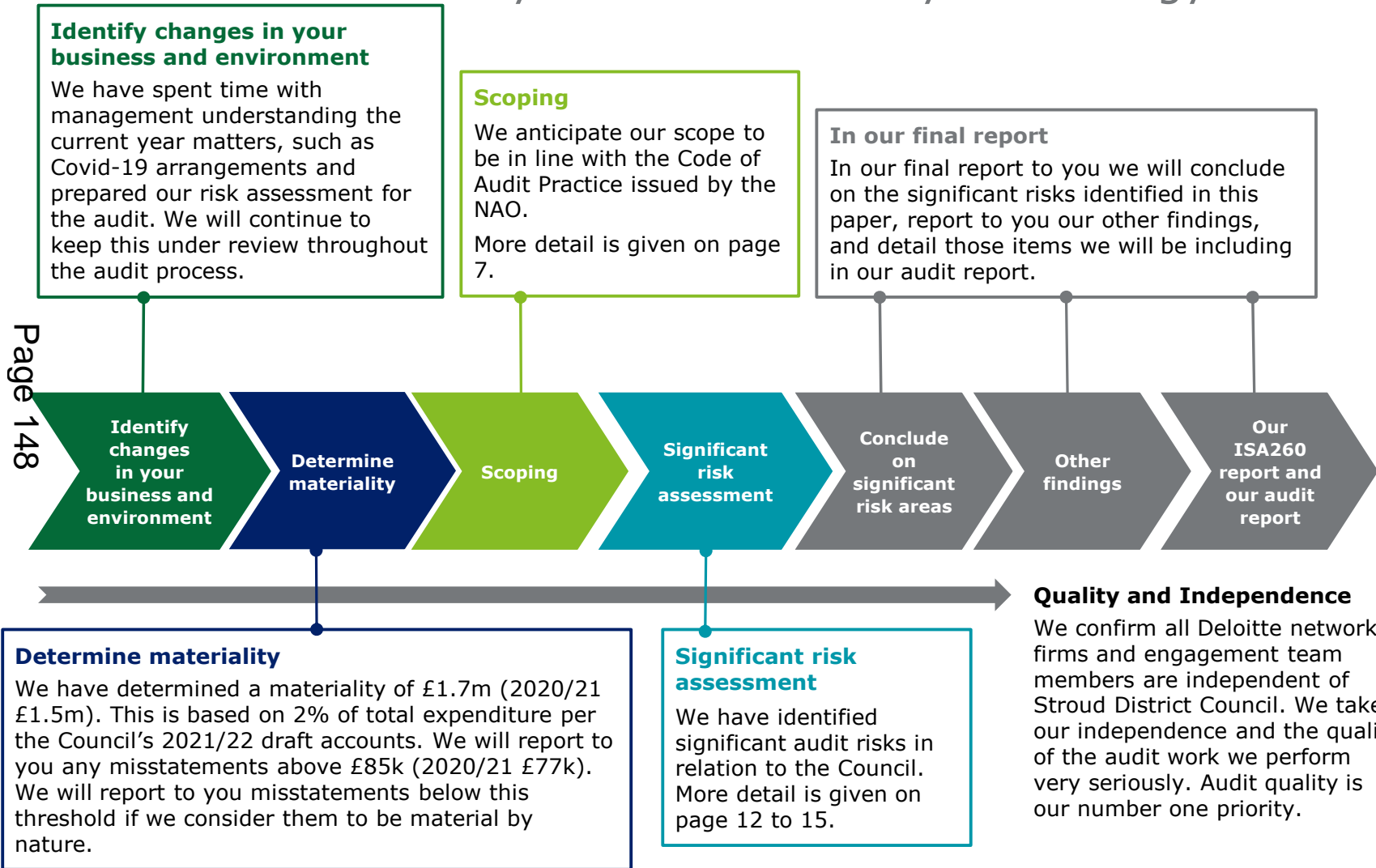
- Reviewing internal financial controls and internal control and risk management systems (unless expressly addressed by a separate risk committee).
- Monitoring and reviewing the effectiveness of the internal audit function; where there isn't one, explaining the absence, how internal assurance is achieved, and how this affects the work of external audit.
- Reporting in the annual report on the annual review of the effectiveness of risk management and internal control systems.
- Explaining what actions have been, or are being taken to remedy any significant failings or weaknesses.

### FRC guidance on good practice

The FRC, in its Review of Governance Reporting, issued November 2021, has identified good practice as including a detailed description of the process for reviewing the effectiveness of risk management and internal control systems and clarity on what the outcome of the review. This would include whether any weaknesses or inefficiencies were identified and explanations of what actions the board has taken, or will take, to remedy these.

# Our audit explained

## We tailor our audit to your business and your strategy



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# Scope of work and approach

## Scope: we have three key areas of responsibility under the Audit Code

### Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the National Audit Office ("NAO"). The Council will prepare its accounts under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC.

We are also required to issue a separate assurance report to the NAO on the Council's separate return required for the purposes of its audit of the Whole of Government Accounts and departmental accounts.

### Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

As part of our work we will review the annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Council.

### Value for Money (VfM) conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

We will need to assess three areas as part of our procedures:

- Financial sustainability;
- Governance and Improving economy; and
- Efficiency and effectiveness.

This will require a minimum level of work at every local public body, with additional risk based work where relevant.

# Scope of work and approach

## Our approach

### Liaison with internal audit

The Auditing Standards Board’s version of ISA (UK and Ireland) 610 “Using the work of internal auditors” prohibits use of internal audit to provide “direct assistance” to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

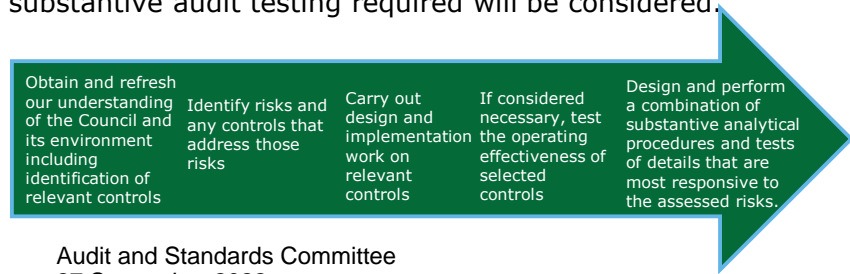
We will review their reports and meet with them to discuss their work where necessary. We will review the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit, where necessary, to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council’s staff.

### Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be ‘relevant to the audit’. This involves evaluating the design of the controls and determining whether they have been implemented (“D&I”).

The results of our work in obtaining an understanding of controls will be collated and the impact on the extent of substantive audit testing required will be considered.



### Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Council complete the Code checklist during drafting of their financial statements.

We would welcome early discussion on the planned format of the financial statements, and whether there is scope for simplifying or streamlining disclosures, as well as the opportunity to review a skeleton set of financial statements and an early draft of the annual report ahead of the typical reporting timetable to feedback any comments to management.

### Value for Money and other reporting

The Updated Code of Audit Practice changes the approach of external audit work away from the auditor performing a risk assessment, and then only performing further work if a significant risk were identified, to specifying procedures that will need to be undertaken in each of three areas – Financial sustainability; Governance and Improving economy, efficiency and effectiveness.

This will require a minimum level of work at every local public body, with additional risk based work where relevant. The National Audit Office (NAO) has recently issued an audit procedures scope and discussions on implementation are ongoing.

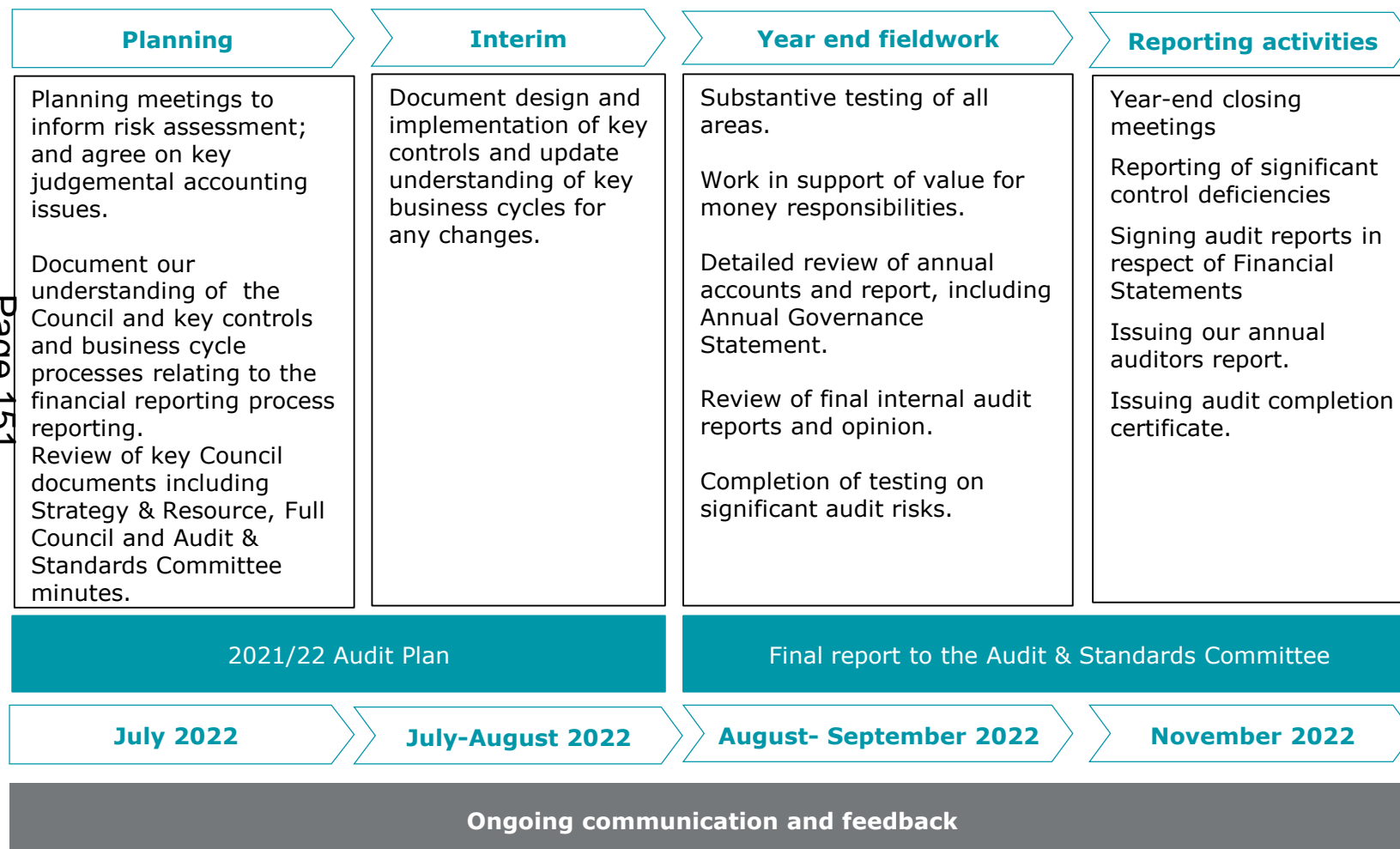
We will report by exception any matters we identify that indicate the Governance Statement does not comply with the CIPFA guidance, or is misleading or inconsistent with information of which we are aware from our audit. We are not required to consider, nor will we consider, whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

# Continuous communication and reporting

## Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you. Please note timing of the Grant work will be communicated separately.

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# Materiality

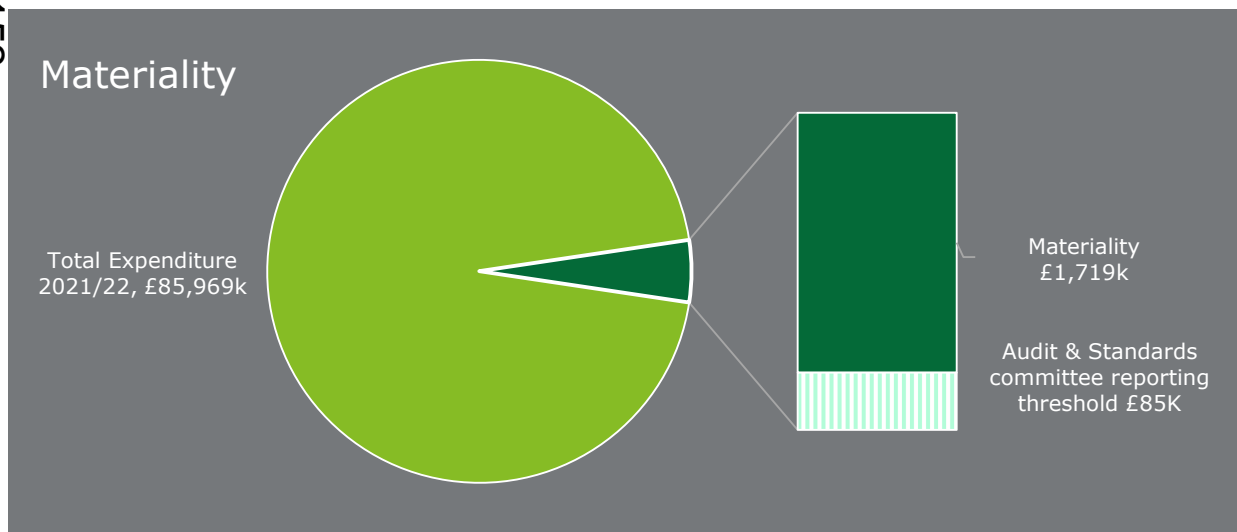
## Our approach to materiality

### Basis of our materiality benchmark

- The audit lead has determined materiality as £1.719m (2020/21 £1.5m), based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 2% of total expenditure based on the Council's 2021/22 draft accounts as the benchmark for determining materiality.

### Reporting to those charged with governance

- We will report to you all misstatements found in excess of £85k (2020/21 £77k).
- We will report to you misstatements below this threshold if we consider them to be material by nature.



Although materiality is the judgement of the audit lead, the Audit & Standards Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.



# Significant risks

## Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the annual report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

### Expected principal risks

- Property valuations
- Impairment
- Pension Liability
- Provision for Business Rates Appeals
- Funding Settlement
- Regulatory

### IAS 1 Critical accounting estimates

- Impairment
- Provisions and contingencies
- Property valuations

### Changes in your business and environment

The Covid-19 pandemic broke out in 2020, however the majority of the impact of the pandemic was incurred in the 2020/21 financial year. This is due to the role that local government had played in the distribution and providing Covid-19 grants to local businesses and benefits to the local residents.












In 2021/22 the council was still distributing and providing Covid-19 grants to local businesses and benefits to the local residents.

The next page summarises the significant risks that we will focus on during our audit.


#### Deloitte view


Management must carefully consider the principal risks, uncertainties and accounting estimates of the Council.


# Significant Audit Risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls	Level of management judgement	Expected to be included in our report to the Audit & Standards Committee	Slide no.
Capital expenditure			D+I			13
Management Override of Controls			D+I			14
Car park valuations		-	D+I			15

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

Low Level of Judgement 

Medium Level of Judgement 

High Level of Judgement 

# Significant Audit Risks

## Risk 1 – Capital expenditure

---

**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 capital expenditure.

The Council's capital expenditure in 2021/22 was £17,695k (2020/21 £8,458k).

There is an element of judgement in applying the relevant capitalisation criteria for expenditure. We therefore consider that there is an incentive for revenue expenditure to be capitalised so that this expenditure does not impact the statement of comprehensive income in one year, but is instead spread over a number of years through the depreciation charges in an attempt to report a more favourable year end position.

---

**Our response** Our work in this area will include the following:

- We will assess the design and implementation of the key controls in place in relation to the determination of capitalisation expenditure
- We will test capital expenditure on a significant risk sample basis to confirm that it complies with relevant accounting requirements

# Significant Audit Risks

## Risk 2 – Management Override of Controls

---

### Risk identified

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

The key judgments in the financial statements are those which we have selected to be the significant audit risks: capital expenditure, car parks valuation, management override of controls. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

---

### Our response

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will test the design and implementation of key controls in place around journal entries and management estimates;
- We will risk assess journals and select items for detailed testing. A sample of journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest. The appropriateness of these journals will be assessed through detailed testing;
- We will review accounting estimates for biases that could result in material misstatements due to fraud; and,
- We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

# Significant Audit Risks

## Risk 3 – Car Park valuations

### Risk identified

The Council held £356m of property, plant & equipment assets at 31 March 2022 (2020/21 £330m).

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.

In 2020/21, Valuation of the Church Street car park did not make an allowance from a net income figure to reflect the hypothetical rental range. The valuation was therefore considered to be overstated by c. 20%, the projected overstatement was £1m which was reported as unadjusted misstatement. In 2021/22, the council revalued car parks assets with the revaluation value of £3.3m (£5.3m).

Although revaluations are carried out by an independent qualified valuer, there is an element of judgement in applying various rates and percentages in valuing the assets, especially in car park valuation, different income or yields used can have an material impact on valuations.

### Our response

- We will test the inputs used in the car park valuations including the average income provided to the valuer, and also test if an allowance was made from net income figures in valuation as per our prior year’s audit findings.
- We will use our valuation specialists, Deloitte Real Assets Advisory, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the Council’s car park assets.
- We will consider the mathematical accuracy of the revaluation workings in line with ISA540 requirements.
- We will consider the presentation of revaluation movements and impairments, taking into account revaluation reserves for individual assets, and the disclosures included in the financial statements.
- We will challenge management’s assessment whether any impairment arises in respect of newly capitalised expenditure.
- We expect to include this risk in our audit report because it will have a significant effect upon our overall audit strategy, allocation of resources, and the direction of the efforts of the team.

# Other Areas of Audit Focus

## Pensions Liability Valuation

---

### Risk identified

The Council are part of the Local Government Pension Scheme operated by Gloucestershire County Council. The Council recognised a combined pensions liability of £51.2m at 31 March 2021 which decreased to £36.6m as at 31 March 2022. The Code requires that their year end carrying value should reflect the appropriate fair value at that date.

Hymans Robertson act as the Council's expert actuary, who produce a report outlining the liability and disclosures required.

The pensions valuation is an area of audit interest due to the material values attached to the valuations and disclosures in the financial statements. This has not been classified as a significant risk as there are limited movements in the membership data through discussion with the management, and we understand that the assumptions and methodologies used are consistent with those in the previous years. We also understand that there have been no significant changes in the membership of the scheme or accrual of benefits for the year.

---

### Our response

We carry out a separate, detailed risk assessment of each of the individual components of the calculation (for example market assumptions, membership data, assets and liabilities) using a developed methodology which takes into account factors such as an assessment of the actuary. We scope our work, including the nature and extent of our actuarial specialists involvement, in a way which responds to this detailed risk assessment. Should our risk assessment change our overall audit approach in respect of testing pensions, we will notify the Audit & Standards Committee.

We will confirm the disclosure of the pension figures in the statement of accounts agree with those provided by the scheme actuary.

We will request an IAS19 letter from the pension fund auditors.

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# Other Areas of Audit Focus

## Covid-19 related Grants

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**Risk identified** The Council received significant grant funding in the prior year (£47.4m) as part of the Government's response to covid-19, which has continued into 21/22 at a reduced rate (£13.6m). There are inherent judgements in relation to the revenue recognition criteria being met for these grants as well as the accounting treatment for these funds as either principle (where the Council have control and therefore recognise in the financial statements) or agency (where the use is mandated and the Council does not include the income and expenditure in the financial statements). We reviewed the accounting treatment for these grants in the prior year and there are significantly fewer grants in the 21/22 and therefore do not consider this a significant risk.

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**Our response** We will review managements assessment for the treatment of grants recognised in the year and review the relevant contract documentation to support their assessment. As our work progresses we will continue to monitor our assessment of the risk levels around these grants and communicate any changes to the committee.

---

## Value for Money

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. In accordance with Code of Audit Practice 2020 and related Auditor Guidance Note 03, 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 VFM arrangements, which might include emerging risks or issues.
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

AGN03 requires auditors to set out the results of their risk assessment, and we will report to a Audit & Standards Committee on any matters arising from this work.



# Coronavirus (Covid-19) Pandemic

## How is Deloitte responding

Deloitte has been closely monitoring and managing our response to the COVID-19 situation since its inception in order to be able to respond as necessary. The health and safety of our people is paramount, but we are doing our utmost to ensure we can complete audits to required timetables. We summarise below how we are responding.

### Impact on our audit and our response

We have Business Continuity Plan ('BCP') arrangements which align to ISO 22301. Our BCP for the firm has been enacted to consider and mitigate the impact of COVID-19 across our operations. The health and safety of our people and those we work with comes first. This includes the provision of advice and support to staff and associates, development of response plans, and upgrades to our IT infrastructure to increase capacity for secure remote working.

We have the capability to work remotely with our audited entities, utilising a number of collaboration tools, including Deloitte Connect (a tool that facilitates secure two-way dialogue between the Deloitte team and management to effectively manage engagement co-ordination) and MS Teams allowing us to collaborate and supervise activities.

We also have adequate server capacity for all our people to work remotely. All our people have their laptops with them so they are able to work from home. Our people have remote access to the firm's network from Deloitte laptops (which utilise an always-on SSL VPN) and are able to elevate their privileges using remote token based access to the firm's network.

We are in regular contact with regulators as well as other Deloitte Member Firms to co-ordinate and understand the impact locally so we can execute global audits.

We take seriously our responsibility to comply with the government guidance issued across the devolved nations of the United Kingdom. Our offices are open across the UK and we continue to review and update our guidance for when and why our personnel should work from an office or entity site.

# 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 establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

Our report includes:

- Our audit plan, including key audit judgements and the planned scope.

### What we don't report

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

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

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

### Other relevant communications

We will update you if there are any significant changes to the audit plan.

### 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. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

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

Audit and Standards Committee

September 2022

**Deloitte LLP**

Bristol | 9 September 2022

# Appendices

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# Fraud responsibilities and representations

## Responsibilities explained



### Your 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.



### Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- 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.
- As set out in the significant risks section of this document, we have identified the risk of fraud in relation to the capital expenditure and management override of controls as key audit risks for your organisation.



### Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

### We will request the following to be stated in the representation letter signed on behalf of the Council:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

# Fraud responsibilities and representations

## Inquiries

We will make the following inquiries regarding fraud:



### Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.

### Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

### Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.



# 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:

<b>Independence confirmation</b>	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 Stroud District Council and will reconfirm our independence and objectivity to the Audit & Standards Committee for the year ending 31 March 2022 in our final report to the Audit & Standards Committee.
<b>Fees</b>	Details of the fees proposed for the period have been presented separately on the page 25. There are no non-audit fees.
<b>Non-audit services</b>	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's approach for the supply of non-audit services, and we do not supply non audit service to the council. 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.
<b>Relationships</b>	We have not other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

# Independence and fees

The professional fees expected to be charged by Deloitte LLP in the period from 1 April 2021 to 31 March 2022 are as follows:

	Current year £ (excluding VAT)	Prior year £ (excluding VAT)
<b>Stroud District Council Financial Statements</b>		
Financial statement audit including Whole of Government Accounts and procedures in respect of Value for Money assessment	48,857	44,816
Additional work on Value for Money Requirements	TBC	15,000
Audit Overruns*	-	15,000
<b>Total fees</b>	<b>TBC</b>	<b>74,816</b>

\* The prior year audit required additional senior audit input including technical team support on a number of key issues which resulted in increased audit fees.

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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

Deloitte fees and planned timescales for completion of the audit are based on the following assumptions:

- the financial statements are provided in accordance with the agreed timescales, to the quality expected and have been subject to a robust quality assurance review;
- information provided to support the financial statements is in accordance with the agreed audit deliverables document;
- appropriate accommodation and facilities are provided to enable the audit team to deliver the audit in an efficient manner;
- all appropriate officials will be available during the audit;
- you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that are required in the Letter of Representation addressed to the engagement lead; and
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

Agenda Item 8

# Our approach to quality

## AQR team report and findings

We are proud of our people's commitment to delivering high quality audits and we continue to have an uncompromising focus on audit quality. Audit quality is and will remain our number one priority and is the foundation of our recruitment, learning and development, promotion and reward structures.

In July 2022 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 2021/22 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, we are pleased that both the overall and FTSE 350 inspection results for our audits selected by the FRC as part of the 2021/22 inspection cycle show an improvement. 82% of all inspections in the current cycle were assessed as good or needing limited improvement, compared to 79% last year. Of the FTSE 350 audits reviewed, 91% achieved this standard (2020/21: 73%). This reflects our ongoing focus on audit quality, and we will maintain our emphasis on continuous improvement as we seek to further enhance quality.

We welcome the breadth and depth of good practice points identified by the FRC particularly those in respect of the effective challenge of management and group audit oversight, where the FRC also reports findings.

We are also pleased that previous recurring findings relating to goodwill impairment and revenue were not identified as key finding in the current FRC inspection cycle, reflecting the

positive impact of actions taken in previous years. We nevertheless remain committed to sustained focus and investment in these areas and more broadly to achieve consistently high quality audits.

All the AQR public reports are available on its website: <https://www.frc.org.uk/auditors/audit-quality-reviews/audit-firm-specific-reports>

### **The AQR's 2021/22 Audit Quality Inspection and Supervision Report on Deloitte LLP**

"In the 2021/22 public report, we concluded that the firm had made progress on actions to address our previous findings and made improvements in relation to its audit execution and firm-wide procedures. The firm has continued to show improvement, with an increase in the number of audits we assessed as requiring no more than limited improvements to 82% compared with 79% in the previous year and 80% on average over the past five years. It is also encouraging that none of the audits we inspected were found to require significant improvements.

The area which contributed most to the audits requiring improvement was the audit of estimates of certain provisions. There were also key findings in relation to group audits, the review and challenge by the Engagement Quality Control Review (EQCR) partner and the application of the FRC Ethical Standard."



# Our approach to quality

## AQR team report and findings

### Improve the audit of estimates in relation to certain provisions

#### How we have addressed this area as a firm

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

- Our main annual technical training includes specific training in relation to the audit of complex estimates and provisions and includes scenario examples for auditing management estimates. Our Engagement Team Based Learning (“TechEx Teams”) will also include a follow-on session focusing on accounting estimates.
- We plan to develop a checklist, similar to that in place for our banking audits, for auditing Expected Credit Loss (‘ECL’) models for corporate audit teams to use where there are complex models being deployed by the companies we audit.
- Additional coaching will be provided to improve experience and skills when performing corporate audits which have ECL provisions.
- We continue to hold monthly workshops with our partners and directors to brief them on areas of regulatory focus, including the root cause of issues identified, and raise awareness of the importance of the review process.

# Our approach to quality

## AQR team report and findings

### Further enhance the consistency of the evaluation by the group audit team of the component auditors' work

#### How we have addressed this area as a firm

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

- We established a Group Audit coaching programme to support engagement teams in key areas relating to group audits, primarily through sharing of good practice and highlighting common pitfalls. This programme will be expanded for FY22/23 to increase the number of coaches and engagements to be coached ahead of December 2022 year-ends.
- We included a mandatory training module within our main annual training ("TechEx") on Group Audits which focused on effective direction, supervision and review of component auditors. Our Engagement Team Based Learning ("TechEx Teams") will also include a follow-on session focusing on Group Audits.
- We are performing a refresh of our Group Audit practice aid in light of inspection findings to develop a reference point for good practice examples. We also intend to share templates that audit teams can use to evidence the communications held throughout the audit process with component audit teams.
- Monthly workshops are held with partners and directors to brief them on the areas of regulatory focus. We also regularly communicate the FRC findings, including those on group audits to the wider audit practice during the inspection cycle through our Weekly technical email update to ensure that audit teams who might be affected by the findings are fully briefed.

# Our approach to quality

## AQR team report and findings

### Strengthen the evidence of review and challenge by the engagement Quality Control Review Partner

#### How we have addressed this area as a firm

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

- We commenced an EQCR transformation programme in the second half of 2021 designed to build on our existing EQCR practices to further enhance the effectiveness of our EQCR process and improve the evidence retained to demonstrate the EQCR challenge.
- We have made enhancements to our EQCR allocation process and refreshed the onboarding of new EQCR partners, with a new onboarding pack that emphasises the expectations and accountability of the EQCR role.
- Our evidence of EQCR review and challenge template has been refreshed and updated.
- We have delivered additional guidance on expectations for the EQCR reviewers and also shared good practice examples across the audit practice.
- We have included reminders of the EQCR requirements with respect to the need to hold discussions with Key Audit Partners of material subsidiaries in our EQCR briefings which are delivered to all EQCR reviewers.
- We included reminders within our 'Group Audit' and 'Direction, Supervision & Review' training modules in our main annual training ("TechEx") on EQCR which focused on EQCR review requirements and policies.

# Our approach to quality

## AQR team report and findings

### Appropriately apply the FRC Ethical Standard, particularly in relation to the approval of non-audit services

#### How we have addressed this area as a firm

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

- We have updated our templates and guidance in respect of the Objective, Reasonable and Informed Third Party ('ORITP') test for non-audit services.
- We have updated our breach management policies, as well as introduced additional training and guidance on the revised FRC Ethical Standard.
- We continue to develop further guidance and to monitor all areas of the application of the FRC Ethical Standard to manage the risk of recurrence.
- We plan to run further workshops and training for all Partners and Directors in Autumn 2022 to communicate FRC findings, re-iterate latest guidance, share examples and common pitfalls with a specific focus on the ORITP test.

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**STROUD DISTRICT COUNCIL**  
**AUDIT AND STANDARDS COMMITTEE**

**TUESDAY, 27 SEPTEMBER 2022**

<b>Report Title</b>	<b>Corporate Risk Register Update</b>			
<b>Purpose of Report</b>	To consider the Corporate Risk Register, including recent updates			
<b>Decision(s)</b>	<b>The Committee RESOLVES to accept and note:</b> <b>a. The actions taken to update the Corporate Risk Register</b> <b>b. The Current Corporate Risk Register at Appendix A</b>			
<b>Consultation and Feedback</b>	Audit and Standards Committee have previously considered the risk management review			
<b>Report Author</b>	Andrew Cummings, Strategic Director of Resources Email: <a href="mailto:andrew.cummings@stroud.gov.uk">andrew.cummings@stroud.gov.uk</a>			
<b>Options</b>	No alternative options at the current stage			
<b>Background Papers</b>	None.			
<b>Appendices</b>	Appendix A– Current Corporate Risk Register			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	No	No	No	No

## 1. INTRODUCTION / BACKGROUND

- 1.1 In light of its significance to the Committee, Risk Management is a standing item for the Audit and Standards Committee. This report sets out recent developments in risk management as well as the updated Strategic Risk Register.

## 2. RECENT RISK UPDATES

- 2.1 In line with the recommendation to report the Corporate Risk Register to every committee the risk register has been comprehensively updated. This Register covers risks which affect the medium to long term strategic risks of the Council, and should be overseen by the Audit and Standards Committee.
- 2.2 The Policy & Governance (P&G) Team are in the process of reviewing the Risk Management Framework (RMF) and are using the recommendations from the ARA risk management review report to help them promote and embed the RMF more widely across the organisation to ensure services have a good understanding of their role in identifying and managing their service area risks.
- 2.3 This review of the RMF will include updating the risk management strategy and policy to ensure that it is up to date and complying with best practice. This will be brought to a future A&S Committee meeting for your consideration.
- 2.4 To help services to manage their risks, the P&G Team have allocated each directorate a Risk Champion. The role of a Risk Champion is to support the risk process by assisting services in managing their risks and identifying emerging risks. The Champions will be arranged meetings with the Leadership and Management Team (LMT) with the aim to support them in updating their risks by assessing whether their service area risks:

## Agenda Item 9

- are still relevant
- have the appropriate risk and target score
- include preventative and mitigating controls
- include the appropriate officer to update the risk
- have a suitable review date

2.5 The P&G Team have also circulated a short questionnaire to LMT to help them identify what risk management training may be needed across the organisation, and this will be used to inform a future training programme.

2.6 The process of reviewing the risk register has resulted in a new strategic risk being added to the register on high energy costs. This is in addition to the existing strategic risk on inflation.

2.7 The risk for the Covid 19 pandemic is now longer shown on the report to this committee as its low score reflects the fact at this stage there is no expected impact on service delivery.

2.8 At the time of writing the procurement of a new Corporate Risk and Performance Management system is at the final selection stage. An update will be given at committee.

### 3. CONCLUSION

3.1 The Corporate Risk Register has been fully reviewed. This has included setting a risk appetite for all risks as required by the Council's Risk Management Policies. Appropriate controls have also been considered for all strategic risks.

3.2 The P&G team have made progress on a number of actions relating to the review of risk management and updates are included within this report.

3.3 The process of procuring a new risk and performance system is nearly complete. Once this is finalised then implementation can get underway, including establishing member access.

### 4. IMPLICATIONS

#### 4.1 Financial Implications

There are no financial implications arising from this decision.

Andrew Cummings, Strategic Director of Resources

Tel: 01453 754115 Email: [andrew.cummings@stroud.gov.uk](mailto:andrew.cummings@stroud.gov.uk)

#### 4.2 Legal Implications

There are no specific legal implications arising from the report and/or its recommendations.

One Legal

Tel: 01684 272012 Email: [legalservices@onelegal.org.uk](mailto:legalservices@onelegal.org.uk)

#### 4.3 Equality Implications

An EIA is not required because there are not any specific changes to service delivery proposed within this decision.

#### 4.4 Environmental Implications



There are no significant implications within this category.

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# Risk Register

Report Level: Cross Cutting Risks

Risk Code	Risk	Lead Officer	Probability	Severity	Score	Controls with RAG Status & Control Owner	Risk Target	Date For Review
CCR1	Failure to develop a balanced budget managing Council Priorities within available funding	Andrew Cummings	2	3	6	1. Develop a series of savings proposals and income generation opportunities to meet the targets in the MTFP Andrew Cummings	6	28/02/2023
						2. Continue to explore the development of appropriate partnerships and efficient joint ventures Kathy O'Leary		
						3. Potential to increase income through measures such as: Council Tax and fees and charges Andrew Cummings		
						4. Establish and implement a public consultation strategy Andrew Cummings		
						5. Ensure Treasury Management and Capital Strategies are aligned with targets in the MTFP Andrew Cummings		
						6. Use budget monitoring to ensure that budgetary control is maintained and income targets are monitored Andrew Cummings		
CCR2	Information Governance Compliance - The loss of control of data processed by the council	Owen Chandler	2	4	8	Develop consistent Data Sharing practices and agreements Owen Chandler	4	16/12/2022
						Develop Information Governance Champions Owen Chandler		

						Improved insight of iGov function through improved reporting and recording of service usage, trends and feedback.	Owen Chandler		
						Improved retention policy compliance	Owen Chandler		
						Improved use of automation in council retention	Owen Chandler		
						Up to date and accessible Training & Guidance	Owen Chandler		
CCR4	Unable to secure continuity of services during normal business hours	Mike Hammond	3	3	9	1. Council to identify priorities, and required resources, as part of the MTFP process	Andrew Cummings	9	07/10/2022
						2. Ensure ICT hardware and software maintained at appropriate levels	Sean Ditchburn		
						3. Individual service continuity plans fit for purpose and adhered to	Mike Hammond		
						4. Workforce plan to secure expertise to avoid service failures	Lucy Powell		
						5. Ensure data backup system fit for purpose	Steve Colwill		
						6. Adequate resources on hand to respond to emergencies	Andrew Cummings		
						7. Communication strategy to keep stakeholders informed of service availability	Sean Ditchburn		
CCR8	The Council is required to increase its contributions to the Gloucestershire Pension Fund above the MTFP provision.	Andrew Cummings	2	2	4	1. Ensure service redesigns or other staffing changes takes account of financial impact of changed staffing levels on pension fund contributions	Andrew Cummings	4	31/10/2022
						2. Ensure MTFP accurately reflects contribution likely to be required based upon	Andrew Cummings		

						current funding levels and future projections			
						3. Ensure Treasury Management decisions take account of investment benefits potentially available from ad hoc payments to pension fund	Andrew Cummings		
CCR9	Cost of providing waste and recycling services to the district currently constitutes around a third of the organisations budget. As such any budgetary implication is of significant consequence to the MTFP. An emerging facet of this risk is the Environment Bill that could include legislative changes impacting our financial position.	Mike Towson	3	2	6	1. Monitor and manage new garden waste customer requests to maximise revenue from the service.	Mike Towson	2	28/09/2022
						2. Effective management of UBICO contract.	Mike Towson		
						3. Maximise effective use of existing resources.	Mike Towson		
						4. Keeping up to date with emerging legislative changes and good practice.	Mike Towson		
CCR10	Difficulty in recruiting and retaining staff with the right skills, values and behaviours	Lucy Powell	3	2	6	1. Adopt policies which promote staff development and retention, in line with the SDC people Strategy	Lucy Powell	2	30/09/2022
						2. Adoption and implementation of efficient and professional recruitment policies and practices	Lucy Powell		
						3. Purchase and implement HR software with effective recruitment modules	Lucy Powell		
						4. Where appropriate developing partnership arrangements with other public sector partners to share risk and build capacity	Lucy Powell		
						5. Transfer risk through outsourcing if appropriate	Lucy Powell		
						6. Review benefit package for staff, including financial and non-financial rewards measure	Andrew Cummings		

CCR18	The loss of income from recycling/incentive credits and the potential for increased costs of recycleate processing.	Mike Towson	3	3	9	Effective management of the UBICO contract	Mike Towson	6	28/09/2022
						Keeping up to date with emerging legislative changes and good practice.	Mike Towson		
						MRF Contract - the value of recylates collected by the Council are determined by industry benchmarks, this may have an impact of the amount received (income) or the costs incurred of disposal	Mike Towson		
						To keep lines of communication open with the County Council to maximise the lead in time for any changes to payment received	Mike Towson		
CCR20	Government white paper on levelling up results in changes to local government structure or funding	Kathy O'Leary	4	2	8	Active engagement with Gloucestershire County Council as they work towards their proposal for a County Deal	Kathy O'Leary	3	01/12/2022
						Assess impact of White Paper and work with neighbouring authorities	Kathy O'Leary		
						Medium Term Financial Planning process to include financial implications of levelling as they become known	Andrew Cummings		
CCR92	High levels of inflation impacting upon Council budgets and Service Delivery	Andrew Cummings	4	3	12	Capital Budgets must include sufficient contingency to allow for inflation and this should be incorporated within the Budget Strategy.	Andrew Cummings	4	31/12/2022
						Effective procurement of energy contracts	Alison Fisk		
						HR Policies and Advertising should include details of the	Lucy Powell		

						<p>wider benefits of working for SDC</p> <p>Proactive measures to reduce energy consumption</p> <p>The Budget Strategy and Medium Term Financial Plan should include a medium term analysis of the level of inflation. This will incorporate wage inflation, contract inflation and inflation within the capital programme.</p> <p>Appropriate levels of increase on fees and charges as well as rents and Council Tax (within statutory limits) must also be incorporated.</p>	<p>Alison Fisk</p> <p>Andrew Cummings</p>		
CCR93	Low of levels of staff wellbeing and mental health	Andrew Cummings	3	2	6	<p>A comprehensive set of employee support tools which are also open to elected members. This is to include mental health first aiders and counselling services.</p> <p>Absence monitoring is used to track levels of mental health absences and corrective action taken where appropriate</p> <p>An annual staff survey, supplemented by more regular wellbeing surveys, is used to understand the current priorities for staff and respond accordingly.</p> <p>Creation and promotion of a set of Corporate Values and Behaviours to reflect the culture that we desire at SDC</p> <p>Introduction of wellbeing champions to engage with</p>	<p>Lucy Powell</p> <p>Lucy Powell</p> <p>Lucy Powell</p> <p>Lucy Powell</p> <p>Lucy Powell</p>	1	30/09/2022

						<p>staff across the Council to talk openly about wellbeing and working with HR, SLT and LMT to share thoughts and recommendations on staff wellbeing</p> <p>Maintaining our workplace wellbeing award from Healthy Lifestyles Gloucestershire</p> <p>Member development group to consider development need of Councillors</p>			
							Lucy Powell		
							Jenna Malpass		
CCR95	Successful cyber attack on the Council	Steve Colwill	3	3	<b>9</b>	<p>1. Education of SDC network users</p> <p>2. Protecting SDC from penetration</p> <p>3. Reducing the extent of lateral movement across the SDC IT estate should a hack occur</p> <p>4. Purchase cyber insurance to partially cover costs of any successful cyber breach</p>	<p>Steve Colwill</p> <p>Steve Colwill</p> <p>Steve Colwill</p> <p>Lucy Clothier</p>	<b>6</b>	30/09/2022



## STROUD DISTRICT COUNCIL

## AUDIT AND STANDARDS COMMITTEE

TUESDAY, 27 SEPTEMBER 2022

<b>Report Title</b>	<b>Local Government and Social Care Ombudsman - Annual Review 2021/22</b>			
<b>Purpose of Report</b>	To report the receipt of the Local Government and Social Care Ombudsman's (LGO) Annual Review for 2021/22 which gives the total number of complaints and enquiries received by the LGO with regard to Stroud District Council.			
<b>Decision</b>	<b>The Committee RESOLVES to:</b> <b>a) Note the Annual Review, and</b> <b>b) Authorise the Strategic Directors and Heads of Service to take appropriate action to ensure that whenever possible complaints are resolved before such matters are referred to the LGO and that requests for information from the LGO continue to be dealt with promptly.</b>			
<b>Consultation and Feedback</b>	The Chief Executive and Strategic Directors have been consulted on this report.			
<b>Report Author</b>	Stephen Taylor, Monitoring Officer Tel: 07866 142209 Email: <a href="mailto:Stephen.taylor@stroud.gov.uk">Stephen.taylor@stroud.gov.uk</a>			
<b>Options</b>	None. This report concerns the receipt of the LGO's Annual Review and no alternative options are proposed.			
<b>Background Papers</b>	None			
<b>Appendices</b>	Appendix A – LGO Annual Review for Stroud 2021/22 Appendix B - Service Area Trends over 2020/21 and 2021/22			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	No	No	No	No

**1. INTRODUCTION**

- 1.1 The LGO issued an Annual Review Letter in July 2022 to each local authority regarding each local authority's performance in responding to complaints. These are sent to Council Leaders and Chief Executives to support greater democratic scrutiny of local complaint handling and to ensure effective local accountability of public services. The Annual Review letter 2021/22 for Stroud is attached at Appendix A.

**2. MAIN POINTS**

- 2.1 In total, so far as Stroud DC is concerned, 14 complaints were received and considered for investigation by the LGO during 2021/22, as compared with 12 in 2020/21, 18 in 2019/20 and 17 in 2018/19. It is worth noting that the LGO paused their casework during the early pandemic response period from April 2020 until June 2020. Any escalations received during the period were held and considered once casework reopened.

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- 2.2 Of the 14 complaints received by the LGO in 2021/22, 8 were closed after initial enquiries had been made, and 2 were referred back to the Council for local resolution. 4 were fully investigated of which 3 were upheld and one was not upheld. Of the three complaints upheld, one related to anti-social behaviour and the other two related to planning. Of the 2 in planning, one had caused no injustice and the other resulted in an apology, and of the anti-social behaviour (ASB) complaint, some suggested service improvements were recommended by the LGO in relation to the ASB policy and guidance which have since been implemented and a compensatory payment of £250 has been made.
- 2.3 In terms of the service areas involved, the two-year trend is shown at Appendix B. The majority of the complaints related to Planning as is common in shire districts but most of the complaints were closed after the LGO's initial enquiries were completed. It has to be emphasised that there are relatively small numbers involved having regard to the number of matters dealt with by each service area but, nevertheless, they are useful indicators as to the pressures on each service.

### Comparison with other Gloucestershire Districts

- 2.4 The LGO has also produced a summary of complaint statistics for every local authority in England, included in the yearly report and published alongside the annual review letters.
- 2.5 For Members' information, the statistics for the Gloucestershire Districts are set out in Table 1 below. For the sake of completeness, it should be noted that some complaints were received and decided in different years and so the complaints upheld may also include complaints received the previous year, and complaints received one year may not all be decided until the following year:

**Table 1 Comparison of complaints – 2021/22**

<b>Authority and Population as on 21 March 2021 (Census Day)</b>	<b>Total number of complaints received</b>	<b>Total number of complaints upheld after investigation</b>	<b>% of complaints investigated that were upheld</b>
<b>Cheltenham BC -118,800</b>	6	1	50%
<b>Cotswold DC - 90,800</b>	14	2	67%
<b>Forest of Dean DC - 87,000</b>	6	0	N/A
<b>Gloucester City -132,500</b>	12	0	N/A
<b>Stroud DC - 121,100</b>	14	3	75%
<b>Tewkesbury BC – 94,900</b>	6	2	67%

- 2.6 The above data shows the importance of focusing on complaint handing and seeking to resolve complaints wherever possible. Doing so improves the service to our residents and avoids the necessity of a detailed investigation by the LGO, which is resource intensive. This does not, however, minimise the importance of the Council robustly defending its actions where it believes such complaints are not justified.

- 2.7 It is suggested, therefore, that the Strategic Directors and Heads of Service continue to ensure that requests for information from the LGO are dealt with promptly and that, whenever possible, complaints are resolved before such matters are referred to the LGO. Further, that there be a continuing focus on reducing the number of complaints that have been upheld by the LGO and that relevant processes and procedures be reviewed as necessary.

### **3. CONCLUSION**

- 3.1 The Annual Review letter from the LGO gives the local authority the opportunity to take stock of the situation with regard to complaints made against it, look how it compares with its neighbouring authorities, and consider how best to respond to the information provided.
- 3.2 In this instance, the number of complaints received is less than in previous years and it is suggested that there be a continuing emphasis on the importance of resolving complaints wherever possible and reducing the number of complaints that have been upheld by the LGO.

### **4. IMPLICATIONS**

#### **4.1 Financial Implications**

There are no significant implications within this category

Andrew Cummings, Strategic Director of Resources  
Tel: 01453 754115 Email: [andrew.cummings@stroud.gov.uk](mailto:andrew.cummings@stroud.gov.uk)

#### **4.2 Legal Implications**

There are no specific legal implications arising from the report or its recommendations.

One Legal  
Tel: 01684 272012 Email: [legalservices@onelegal.org.uk](mailto:legalservices@onelegal.org.uk)

#### **4.3 Equality Implications**

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

#### **4.4 Environmental Implications**

There are no significant implications within this category.

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20 July 2022

*By email*

Ms O'Leary  
Chief Executive  
Stroud District Council

Dear Ms O'Leary

### **Annual Review letter 2022**

I write to you with your annual summary of complaint statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2022. The information offers valuable insight about your organisation's approach to complaints. As such, I have sought to share this letter with the Leader of your Council and Chair of the appropriate Scrutiny Committee, to encourage effective ownership and oversight of complaint outcomes, which offer such valuable opportunities to learn and improve.

### **Complaint statistics**

Our statistics focus on three key areas that help to assess your organisation's commitment to putting things right when they go wrong:

**Complaints upheld** - We uphold complaints when we find fault in an organisation's actions, including where the organisation accepted fault before we investigated. We include the total number of investigations completed to provide important context for the statistic.

**Compliance with recommendations** - We recommend ways for organisations to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

**Satisfactory remedy provided by the authority** - In these cases, the organisation upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit organisations that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your organisation with similar authorities to provide an average marker of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

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## Appendix A

Your annual data, and a copy of this letter, will be uploaded to our interactive map, [Your council's performance](#), on 27 July 2022. This useful tool places all our data and information about councils in one place. You can find the detail of the decisions we have made about your Council, read the public reports we have issued, and view the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

### **Supporting complaint and service improvement**

I know your organisation, like ours, will have been through a period of adaptation as the restrictions imposed by the pandemic lifted. While some pre-pandemic practices returned, many new ways of working are here to stay. It is my continued view that complaint functions have been under-resourced in recent years, a trend only exacerbated by the challenges of the pandemic. Through the lens of this recent upheaval and adjustment, I urge you to consider how your organisation prioritises complaints, particularly in terms of capacity and visibility. Properly resourced complaint functions that are well-connected and valued by service areas, management teams and elected members are capable of providing valuable insight about an organisation's performance, detecting early warning signs of problems and offering opportunities to improve service delivery.

I want to support your organisation to harness the value of complaints and we continue to develop our programme of support. Significantly, we are working in partnership with the Housing Ombudsman Service to develop a joint complaint handling code. We are aiming to consolidate our approaches and therefore simplify guidance to enable organisations to provide an effective, quality response to each and every complaint. We will keep you informed as this work develops, and expect that, once launched, we will assess your compliance with the code during our investigations and report your performance via this letter.

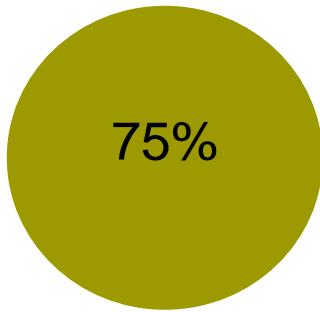
An already established tool we have for supporting improvements in local complaint handling is our successful training programme. We adapted our courses during the Covid-19 pandemic to an online format and successfully delivered 122 online workshops during the year, reaching more than 1,600 people. To find out more visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).

Yours sincerely,



Michael King  
Local Government and Social Care Ombudsman  
Chair, Commission for Local Administration in England

### Complaints upheld



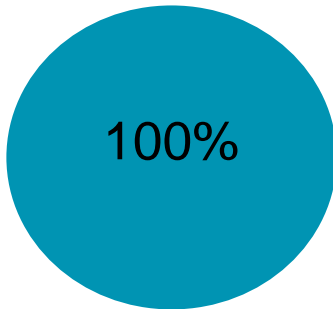
**75%** of complaints we investigated were upheld.

This compares to an average of **51%** in similar organisations.

**3**  
upheld decisions

Statistics are based on a total of **4** investigations for the period between 1 April 2021 to 31 March 2022

### Compliance with Ombudsman recommendations



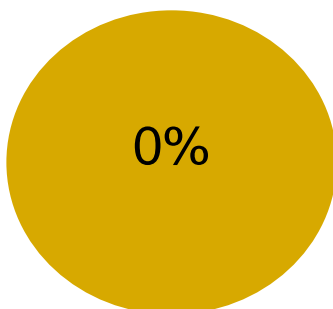
In **100%** of cases we were satisfied the organisation had successfully implemented our recommendations.

This compares to an average of **100%** in similar organisations.

Statistics are based on a total of **1** compliance outcome for the period between 1 April 2021 to 31 March 2022

- Failure to comply with our recommendations is rare. An organisation with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

### Satisfactory remedy provided by the organisation



In **0%** of upheld cases we found the organisation had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **20%** in similar organisations.

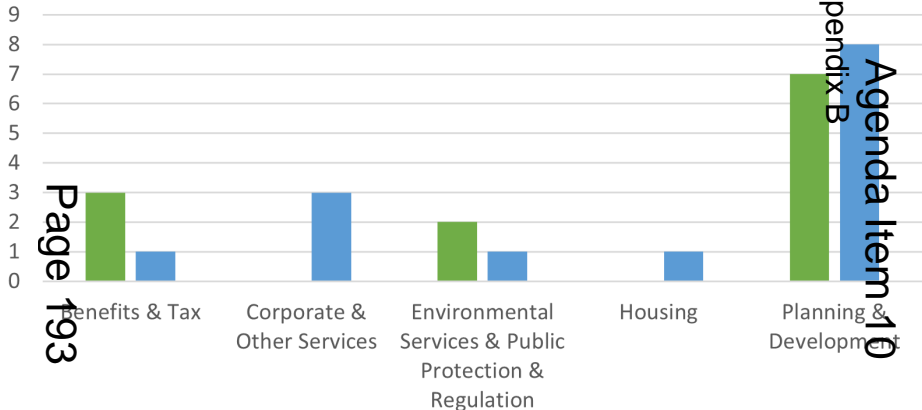
**0**  
satisfactory remedy decisions

Statistics are based on a total of **3** upheld decisions for the period between 1 April 2021 to 31 March 2022

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# LGO Complaints received 2 year trend



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**STROUD DISTRICT COUNCIL****AUDIT AND STANDARDS COMMITTEE****19 JULY 2022****WORK PROGRAMME**

<b>Meeting Date</b>	<b>Report Description</b>	<b>Responsible Officer / Member</b>
29 November 2022	Internal Audit Progress Report 2022/23	Chief Internal Auditor
	Half-Year Treasury management	Principal Accountant
	Counter Fraud and Enforcement Unit Update	Counter Fraud Manager
	External Audit Update	Deloitte
	Statement of Accounts	Deloitte
	Standing Items a. To consider the work programme for 2022/23. b. To consider any Risk Management issues.	
7 February 2023	Internal Audit Progress Report 2022/23 • Update on Governance issues	Chief Internal Auditor
	Contract management Framework Update	Senior Policy and Governance Officer
	Standing Items a. To consider the work programme for 2022/23. b. To consider any Risk Management issues.	
18 April 2023	Internal Audit Progress Report 2022/23	Chief Internal Auditor
	Counter Fraud and Enforcement Unit Report and Regulation Of Investigatory Powers Act (Ripa) 2000 / Investigatory Powers Act (Ipa) 2016 Update	Counter Fraud Manager
	Standing Items a. To consider the work programme for 2022/23. b. To consider any Risk Management issues.	

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