



Public Document Pack STROUD DISTRICT COUNCIL

Council Offices • Ebley Mill • Ebley Wharf • Stroud • GL5 4UB
Telephone 01453 766321
www.stroud.gov.uk Email: democratic.services@stroud.gov.uk

21 November 2022

AUDIT AND STANDARDS COMMITTEE

A meeting of the Audit and Standards Committee will be held on **TUESDAY, 29 NOVEMBER 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.
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 - 8)**
To approve the minutes of the meeting held on 27 September 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, 23rd November 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



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5. **MEMBER QUESTIONS**

See Agenda Item 4 for deadlines for submission.

6. **COUNTER FRAUD AND ENFORCEMENT UNIT REPORT (Pages 9 - 14)**

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

The report also provides the Audit and Standards Committee with the updates in relation to the work streams associated with the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA) and the Council's existing authorisation arrangements.

7. **ANNUAL AUDIT LETTER (Pages 15 - 48)**

To inform Members of the External Audit activity progress.

8. **STATEMENT OF ACCOUNTS 2021/22 (Pages 49 - 156)**

To approve the Statement of Accounts 2021/22 and receive Deloitte's audit opinion, including the changes to the accounts since the unaudited accounts were signed off by the Strategic Director of Resources on 28 July 2022.

9. **HALF YEAR TREASURY MANAGEMENT REPORT 2022/23 (Pages 157 - 170)**

To provide an update on Treasury Management activity as at 30/09/2022

10. **INTERNAL AUDIT PROGRESS REPORT 2022/23 (Pages 171 - 186)**

To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2022-23.

11. **STANDING ITEMS**

(a) Corporate Risk Register Update (Pages 187 - 190)

(b) To consider the Work Programme for 22 / 23 (Pages 191 - 192)

Members of Audit and Standards Committee

Councillor Nigel Studdert-Kennedy (Chair)

Councillor Paula Baker

Councillor Stephen Davies

Councillor Nick Hurst

Councillor Norman Kay

Councillor Martin Percy (Vice-Chair)

Councillor Keith Pearson

Councillor Ashley Smith

Councillor Rich Wilsher



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AUDIT AND STANDARDS COMMITTEE

27 September 2022

7.00 - 8.38 pm

Council Chamber

Minutes

Membership

Councillor Nigel Studdert-Kennedy (Chair)

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

Councillor Martin Percy (Vice-Chair)

Councillor Keith Pearson
 Councillor Steve Robinson
 Councillor Rich Wilsher

*

*= Absent

Officers in Attendance

Strategic Director of Resources
 Monitoring Officer
 Head of Audit Risk Assurance
 Principal Auditor
 Principal Accountant

Senior Accountancy Officer
 Head of Development Management
 Development Team Manager
 Deloitte
 Democratic Services & Elections Officer

ASC.016 Apologies

An apology for absence was received from Councillor Davies.

ASC.017 Declaration of Interests

There were none.

ASC.018 Minutes

RESOLVED That the Minutes of the meeting held on 19 July were approved as a correct record.

ASC.019 Public Question Time

There were none.

ASC.020 Internal Audit Progress Report 2022/23

The Head of Audit Risk Assurance (ARA) introduced the report and explained that it was the first Internal Audit Progress Report which included the changes previously mentioned at committee. These changes included:

- More concise summaries which showed the scope of the work completed, the salient findings and the number of recommendations.
- A refreshed way in which the progress against planned work was reported.
- Additional Red, Amber and Green (RAG) ratings.
- An additional Comments column to provide further information.

He further informed the committee that there were six activities included within the report. Four of these were assurance activities which were all given an acceptable level of assurance. The remaining 2 pieces of work were grant certifications. The Head of ARA concluded with an update that there had been no new irregularities reported to the ARA Counter Fraud Team for 2022/23.

In response to Councillor Hurst the Head of ARA explained that the monthly control checks mentioned in point iv on page 21 of the reports pack were to inspect the paperwork surrounding electrical inspections, not the inspections themselves.

Councillor Baker questioned page 20 of the reports pack where it noted that 142 properties had received an unsatisfactory electrical inspection result. She queried why 41 of those properties remained unsatisfactory. The Chair, Councillor Studdert-Kennedy, explained that there was no mandatory access for an electrical inspection to take place which meant that the tenant could refuse access. He further informed Committee that it had been requested for access to be mandatory in future tenancy agreements to prevent inspectors being refused.

Councillor Baker further queried if the reasoning would be the same for the 106 properties that were overdue for their electrical inspection. It was agreed for the ARA team to come back with further details of any barriers preventing those inspections from taking place.

It was also agreed to look into whether there was a link between the rise of Anti-Social Behaviour (ASB) and the reduction of the evening presence of Neighbourhood Wardens (NHW).

The Head of ARA gave the following answers in response to questions asked:

- The electrical report was a follow up from the original audit report due to the limited assurance result, all but two of the original recommendations had been implemented. The follow up report implemented a further 2 recommendations which would enhance the work completed on the original recommendations.
- Page 23 of the reports pack outlined the 31 May 2023 as the target completion date for the sub delegations. This was to allow a corporate Council wide review of the sub delegations process and provide enough time for the new Monitoring Officer to review it.
- Page 27 of the reports pack showed a number of delayed reviews which were due to a number of different factors. The intention was to complete as much of the plan as possible by the end of the year. It was confirmed that a few of those activities were already in progress and it was agreed to add additional comments where an item has been delayed to explain the reasons.

Councillor Hurst proposed and Councillor Percy seconded.

2022/23

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

It was later noted at Item 9 that the Head of Development Management and the Development Team Manager were present during the discussion of this item as requested by Members in case of any departmental questions.

RESOLVED To:

- a) Accept the progress against the Internal Audit Plan 2022-23; and**
- b) Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment (comprising risk management, control and governance arrangements).**

ASC.021 Treasury Management Quarter 1 Report

The Senior Accountancy Officer introduced the report and highlighted the following points:

- Page 30 showed a summary of investments of which the rate of return had increased to 0.788% since last quarter.
- Page 31 showed a summary of the property and multi-asset funds. The Senior Accountancy Officer explained that the property funds had gained since last quarter whereas the multi-asset funds had decreased.
- Page 35 showed a summary of the prudential indicators.

Councillor Wilsher received the following answers in response to questions asked:

- The Link Asset Services (LAS) were the Council's Treasury Consultants, and the blue fund was the government protected fund.
- Previously, committing funds for over 1 year would enhance the return rate which was why the allowance allowed for 2 years.
- The Capital Programme borrowing could be external or internal. Previously they had borrowed internally and would be likely to do the same over the next few years.
- The Treasury Management Strategy Statement (TMSS) was reviewed annually.

Councillor Pearson proposed and Councillor Robinson seconded.

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

RESOLVED To accept the treasury management activity first quarter report for 2022/2023.

ASC.022 Statement of Accounts 2021-2022

The Principal Accountant introduced the report and explained that these were the unaudited accounts signed off by the S151 Officer on the 28 July, which was inside the statutory timetable.

Questions were asked by Councillors and the following responses were given by Officers:

- The underspend of £1.761m from the General Fund Revenue Account, on page 44 of the document pack, was excluding transfers which specifically funded certain projects. These were detailed in the outturn report at Full Council on Thursday 29 September 2022.
- The Budget Monitoring Q1 report scheduled to be considered by Housing Committee in October would show a reduction in the loss of income to voids and the progress achieved.

Councillor Kay proposed and Councillor Baker seconded.

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

RESOLVED To:

- a) Approve the report**
- b) Consider any recommendations regarding the accounts for the year ending 31 March 2022.**

ASC.023 Annual Audit Letter

The Senior Manager, Deloitte, introduced the report and drew the Committee's attention to the following key point. Page 145 of the reports pack showed the significant audit risks. The valuation of the car parks risk had been refined and refocused and further details could be found on page 157.

In response to Councillor Pearson the Senior Manager clarified that, on page 157 where it identified the revalued car park assets at £3.3m, the figure next to that in brackets was the previous valuation made in 2020/21. The Senior Manager further explained that the difference in valuation was due to a change in the way in which the car park valuation was calculated.

In response to the Chair, the Senior Manager estimated that the accounts would be signed off at the end of November, within the statutory deadline.

The Strategic Director of Resources and the Chair thanked the Senior Manager and wished him well in his new role. The Senior Manager returned the accolades for the Stroud District Council Officers.

Councillor Hurst commended the way the reports were set out.

Councillor Baker proposed and Councillor Hurst seconded.

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

RESOLVED To note the annual audit letter on 2021/2022 external audit.

ASC.024 Corporate Risk Register Update

The Strategic Director of Resources introduced the report and explained that the Corporate Risk Register (CRR) was updated every quarter however, as they were still in the previous quarter only a few of the risks had been updated such as the risk of inflation. He further informed the committee of the following points:

- Work had been ongoing regarding the recommendations from the risk management review such as; assigning champions in each directorate and staff completing a competency survey.
- The procurement of the new corporate performance and risk management system was in the final stages of appointment and applicants had been winnowed down to the final two.

Councillor Pearson requested that the changes to the risk register be made more prominent in the body of the report. The Strategic Director of Resources agreed.

2022/23

In response to questions, the Strategic Director of Resources confirmed that:

- Some risks were reviewed more frequently due to their severity however, the risk register as a whole was updated quarterly.
- Risk CCR4 on page 180 of the reports pack was identified as a 9/9 for risk factor. It was agreed to go back to the risk owner to review the risk appetite and see if there were any further mitigations which could be put in place to lower the risk factor.
- A hybrid working policy had been adopted by the Council and after the recommendations from the peer review the Council were working to provide further guidance on expectations of hybrid working and how it would be effectively performance monitored.
- The Rent Cap was not currently its own risk on the CRR as it was encompassed as part of the general balanced budget CCR1 risk.
- With regard to improvements to Stroud District Council's' housing stock, there were still many pressures to manage although these were different to the pressures faced at the beginning of the Covid-19 period.
- It was agreed to get the details of the vacancies for qualified staff across the Housing department.

Councillor Pearson proposed and Councillor Wilsher 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 A.**

ASC.025 Local Government and Social Care Ombudsman - Annual Review 2021/22

The Monitoring Officer introduced the report and explained that it was a routine annual report. He then drew the committee's attention to the following points:

- Of the 14 complaints received, over 50% were closed after initial enquiries.
- The numbers were relatively small which would lead to larger percentages when 1 complaint was upheld.
- All of the complaints received had been dealt with.

Councillor Pearson questioned why there were no satisfactory remedy decisions made by the Council. The Monitoring Officer explained that where complaints had seen a satisfactory remedy, they would not have made it to the Ombudsman and therefore would not be included with the figures.

In response to Councillor Kay it was agreed take away comments on the training need surrounding the Councils' Value and Behaviours and the Service Standards.

Councillor Hurst questioned whether there were any particular areas for concern. The Monitoring Officer explained that these areas of complaints were normal among District Council's and the regulatory Services usually experienced the most complaints.

It was agreed to get back to Councillor Baker regarding the figures of complaints from solicitors as opposed to through the Ombudsman.

Councillor Kay proposed and Councillor Hurst seconded.

2022/23

Councillors debated the need for the second part (b) of the motion and agreed it was the best way to phrase it.

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

RESOLVED To:

- a) Note the Annual Review, and
- 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.

ASC.026 **To consider the Work Programme for 22 / 23**

Councillor Percy queried whether the review of the annual governance statement and treasury management strategy would be scheduled for the February 2023 meeting. The Strategic Director of Resources confirmed that the update on governance issues shown on the work programme was relating to the annual governance statement however, the treasury management strategy needed to be added to the work programme.

The Principal Accountant requested that the Quarter 3 Treasury Management report be added to the February 2023 meeting.

The Chair requested that the Corporate Risk Register be added to all future meetings.

ASC.027 **Member Questions**

There were none.

The meeting closed at 8.38 pm

Chair

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

29 NOVEMBER 2022

Report Title	COUNTER FRAUD AND ENFORCEMENT UNIT REPORT			
Purpose of Report	<p>To provide the Audit and Standards Committee with assurance over the counter fraud activities of the Council in relation to the work undertaken by the Counter Fraud and Enforcement Unit.</p> <p>The report also provides the Audit and Standards Committee with the updates in relation to the work streams associated with the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA) and the Council's existing authorisation arrangements.</p>			
Decision(s)	The Committee RESOLVES to consider the report and comment as necessary.			
Consultation and Feedback	<p>Work plans are agreed and reviewed regularly with the Strategic Director of Resources.</p> <p>Any Policies drafted or revised by the Counter Fraud and Enforcement Unit have been reviewed by One Legal and have been issued to the relevant Senior Officers, Management and Governance Officers for comment.</p>			
Report Author	<p>Emma Cathcart, Head of Service, Counter Fraud and Enforcement Unit</p> <p>Email: Emma.Cathcart@cotswold.gov.uk</p>			
Options	None. The service is a specialist criminal enforcement service working with the Gloucestershire Local Authorities, West Oxfordshire District Council and a number of other public sector bodies such as social housing providers.			
Background Papers	None.			
Appendices	None.			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	Yes	Yes	No

1. INTRODUCTION / BACKGROUND

- 1.1. In administering its responsibilities the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or a Councillor.
- 1.2. The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate priorities and community plans.
- 1.3. The Audit and Standards Committee oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to counter fraud activity.

- 1.4. A summary of the work undertaken is presented to the Audit and Standards Committee detailing progress and results for consideration and comment as the body charged with governance in this area.

2. MAIN POINTS

2.1. Counter Fraud and Enforcement Unit Update.

- 2.2. The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds. The CFEU provides assurance in this area. Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption. If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.
- 2.3. As a dedicated investigatory support service, the CFEU undertakes a wide range of enforcement and investigation work according to the requirements of each Council. This includes criminal investigation and prosecution support for enforcement teams, investigations into staff/member fraud and corruption, or tenancy and housing fraud investigation work.
- 2.4. The CFEU undertakes Member Code of Conduct Investigations on behalf of the partnership and 1 case has been referred to the team relating to a Parish Council matter. This case was referred for consideration by the Standards Sub-Committee on 27 September 2022. The Sub-Committee found that there had been a breach and suggested that training was undertaken by the Councillor concerned.
- 2.5. The CFEU has been tasked with undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support), working closely with the Department for Work and Pensions in relation to Housing Benefit investigations. Since 1 April 2022, the team have received 2 referrals, closed 1 case and processed 11 enquiries for the Department for Work and Pensions.
- 2.6. A proactive drive has commenced which will compare earnings declarations made for Covid Test and Trace Grants and those made for the purposes of claiming Council Tax Support. 870 successful applications for Test and Trace payments were made, results will be reported to the Committee in the next Counter Fraud and Enforcement Unit Report.
- 2.7. All Local Authorities participate in the Cabinet Office's National Fraud Initiative, which is a data matching exercise to help prevent and detect fraud nationwide. The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under Data Protection Legislation.
- 2.8. The CFEU are assisting the Revenues and Benefits Department with the review of National Fraud Initiative (NFI) matches:
 - The team reviewed 441 matches relating to single person discount anomalies in relation to the 2020/2021 upload of data. 49 accounts have been updated resulting in £46,927 increased revenue. In addition 20 Civil Penalties have been applied totalling £1,400.
 - 1,143 matches have been received in relation to single person discount anomalies in relation to the 2021/2022 upload of data. 376 matches have been reviewed so far.

- The team have received 549 matches relating to the Council Tax Reduction Scheme and Housing Benefit claims. 334 matches have been reviewed so far.
- 2.9. The CFEU continues to support the Council in tackling tenancy fraud. The overall remit is to prevent, detect and deter abuse of public funds and social housing. Housing and tenancy fraud remains as one of the top four areas of fraud and abuse within the public sector. This takes many forms but the two most significant areas are Right to Buy and Illegal Subletting. The CFEU will continue to work with the Council and social housing providers to tackle this effectively.
- 2.10. Housing Committee approved a report in July 2022 which summarised how Stroud District Council may assist with the prevention, detection and prosecution of housing and tenancy fraud on behalf of Social Housing providers within the District.
- 2.11. The Counter Fraud Officers are authorised under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014. This means they are authorised to obtain information relating to an individual from organisations such as financial institutions (banks, credit card companies), utility companies, communications providers and so on. The Act also created new offences in relation to housing fraud that can be prosecuted by Local Authorities acting on behalf of Social Landlords.
- 2.12. Since 1 April 2022, the team have received 2 referrals and closed 9 cases.
- 2.13. As a rough guide, the Cabinet Office estimated the following savings to Social Housing Providers:
- Tenancy Fraud - £93,000 per property recovered based on average four year fraudulent tenancy – this includes temporary accommodation for genuine applicants, legal costs to recover the property, re-let cost and rent foregone during the void period between tenancies.
 - Right to Buy - £65,000 per application withdrawn based on average house prices and minimum right to buy discount.
 - Housing Waiting List Misrepresentation - £10,000 per applicant removed based on 1 year local temporary accommodation cost for genuine applicants. The National Fraud Initiative apply a more conservative estimate of £3,240 per case for future losses prevented as a result of removing an applicant from council housing waiting list.
- 2.14. More recently the Fraud Advisory Panel, Charity Commission, Tenancy Fraud Forum and others have produced a new method using a standard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of £42,000. The formula considers:
- The annual average temporary accommodation cost per family for individual Councils (£12,100) multiplied by 3 being the typical duration of for one of these frauds = £36,300;
 - Add the average investigation costs (£1,300), average legal costs (£1,000) and the average void costs (£3,140)
 - = £41,740 approximated to £42,000.
- 2.15. **Regulation of Investigatory Powers Act (RIPA) 2000 and Investigatory Powers Act (IPA) 2016 Update.**
- 2.16. Polices were reviewed and presented to the Audit and Standards Committee in April and July 2021.

- 2.17. The Regulation of Investigatory Powers Act and Investigatory Powers Act Policies set out the legislative framework and principles the Council will abide by to mitigate the risk of legal challenge in Court. They demonstrate the Council's consideration of necessity, proportionality and public interest when deciding on surveillance activity and requests for communication data. It also demonstrates openness and transparency for its customers.
- 2.18. The Council was the subject of an inspection by the Investigatory Powers Commissioner's Office in January 2022. The Inspector requested the introduction of a centralised register and the provision of training.
- 2.19. The CFEU has now set up a register as the RIPA Coordinator and refresher training was delivered to staff on 10 October 2022 and 21 October 2022.
- 2.20. The Council must have a Senior Responsible Officer and Authorising Officers to approve any applications for surveillance or the use of a Covert Human Intelligence Source, before the Court is approached. The Senior Responsible Officer is the Corporate Director (Monitoring Officer), Claire Hughes and the Authorising Officers are the Strategic Director of Place, Brendan Cleere and the Head of Environmental Health, Sarah Clark. The Officers have been registered with the Investigatory Powers Commissioner's Office.

3. CONCLUSION

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

4. IMPLICATIONS

4.1 Financial Implications

The report details financial savings generated by the CFEU and the objectives in reducing crime and financial loss to the Local Authority.

Andrew Cummings, Strategic Director of Resources.

Email: andrew.cummings@stroud.gov.uk

4.2 Legal Implications

- 4.2.1 In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.
- 4.2.2 The Council is required to ensure that it complies with the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016 and any other relevant/statutory legislation regarding investigations. It should also consider government guidance in this area.
- 4.2.3 The Council has a statutory obligation for enforcing a wide range of legislation, where it is necessary and proportionate to do so. Human rights implications are a consideration of this type of activity and this is included within the Policy.
- 4.2.4 Any requests for directed/covert surveillance or the acquisition of communications data to be undertaken should be necessary and proportionate, and authorised by the appropriate Officer. Both Policies provide information and advice to those seeking authorisation and

those officers granting authorisation. Both policies confirm the process to be used and matters to be considered.

One Legal

Email: legalservices@onelegal.org.uk

4.3 Equality Implications

- 4.3.1 The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.
- 4.3.2 The application of these Policies, to govern surveillance and the obtaining of personal communications data, ensures that there is less risk that an individual's human rights will be breached. Furthermore it protects the Council from allegations of the same.

4.4 Environmental Implications

- 4.4.1 There are no significant implications within this category.

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Stroud District Council

Report to the Audit & Standards Committee on the 2021/22 audit

Issued on 21 November 2022 for the meeting on 29 November 2022

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Introduction

The key messages in this report

I have pleasure in presenting our report to the Audit & Standards Committee of Stroud District Council (the Council) for the 2021/22 audit. The scope of our audit was set out within our planning report presented to the Committee in September 2022.

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

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

Status of our Statement of Accounts audit

- Our audit is substantially complete subject to completion of the following principal matters:
- receipt of IAS19 letters from the Gloucestershire County Council Pension Fund auditors and completion of audit procedures once received;
 - completion of work on Property Valuations and finalisation of correspondence with the Council's external valuers;
 - completion of our work on financial statements disclosures related to financial instruments;
 - our review and checking of the updated financial statements;
 - completion of administrative review notes on audit work from engagement lead;
 - completion of internal quality assurance procedures;
 - receipt of signed management representation letter; and
 - our review of events since 31 March 2022 through to signing.

We will provide an oral update at the meeting.

Status of our Value for Money audit

Our Value for Money work is on-going, and will be reported within three months from signing the accounts. Our auditor's annual report will cover both 2020/21 and 2021/22.

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

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

Our opinion will state that work is on-going.

Conclusions from our testing

- The key judgements in the audit process related to:
 - Management override of controls;
 - Car parks valuation; and
 - Capital expenditure

The work regarding valuation of car parks and capital expenditure is still in progress and is subject to final review of engagement lead. We will provide an oral update at the meeting.

The work regarding management override of controls is completed and subject to final review of our engagement lead. We will provide an oral update at the meeting for any concerns.

Introduction

The key messages in this report (continued)

Conclusions from our testing (continued)

- We have not identified any significant audit adjustments or disclosure deficiencies at the time of this report. However, items may be identified on completion of the outstanding audit work.
- Based on the current status of our audit work, we envisage issuing an unmodified audit opinion, with no reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.

Narrative Report & Annual Governance Statement

- We have reviewed the Council's Narrative Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work.
- The Annual Governance Statement complies with the Delivering Good Governance guidance issued by CIPFA/SOLACE.
- We have raised minor comments on the Narrative Report and are waiting on receipt of the final version.

Duties as public auditor

- We did not receive any queries or objections from local electors this year.
- The publication of the Statement of Accounts for inspection is a legal requirement.
- We have not identified any matters that would require us to issue a public interest report.
- We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.

Whole of Government Accounts

- The instructions has not been released yet so its not concluded if the Council would be a sample component for WGA reporting this year. However, NAO have indicated that they may still request work on components if these are not sampled based on the threshold.
- During last year, the Council was not a sampled component for WGA reporting and we were required to report our overall audit opinion and key issues from our audit to the National Audit Office following completion of the audit.

Acknowledgement

- We would like to take this opportunity to thank management and the team for their assistance throughout the audit. We would also like to mention that there were delays in the returning of audit evidence for samples and other delays in providing information which resulted in significant efforts and additional time on our side to complete the required audit procedures.

Michelle Hopton
Audit Lead

Responsibilities of the Audit & Standards Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit & Standards Committee?

To communicate audit scope

To provide timely and relevant observations

To provide additional information to help you fulfil your broader responsibilities

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



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

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.

Oversight of external audit

Integrity of reporting

Internal controls and risks

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

Oversight of internal audit

Whistle-blowing and fraud

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








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

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

Quality indicators

Impact on the execution of our audit

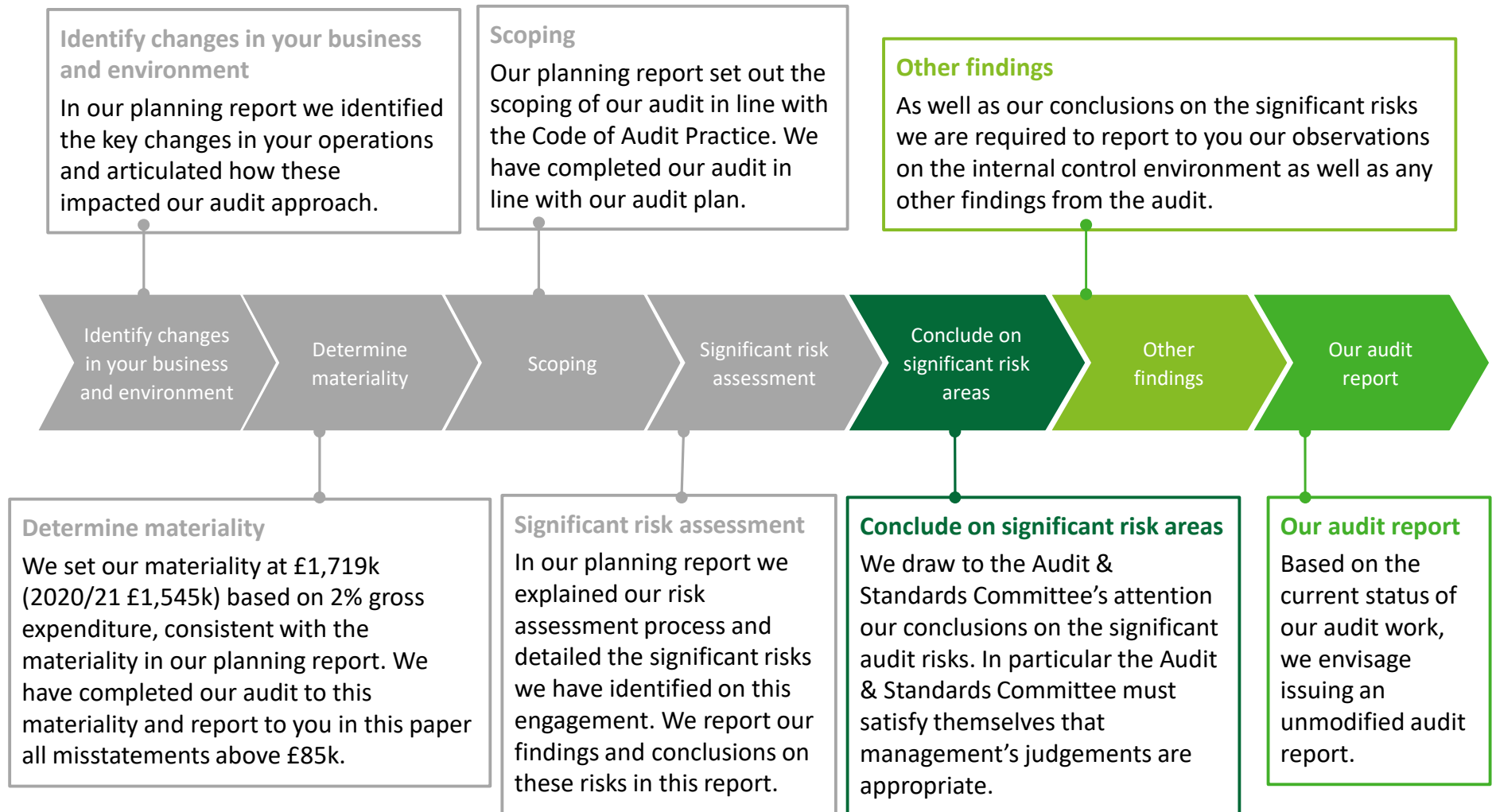
Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to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

Area	Grading	Reason	Further detail
Timing of key accounting judgements		Accounting judgements (e.g. fixed assets valuation, capital expenditure, pension assumptions and Covid-19 grant treatments) were communicated to the audit team promptly.	-
Adherence to deliverables timetable		There were delays to some deliverables including delays in the returning of audit evidence for samples and other required information. This had resulted in additional efforts and additional resources being allocated to complete this audit. For example there were significant delays in obtaining the required information related to journals which was received a month after the request was made. Similarly, the required information related to short term debtors and creditors was requested during mid of August 2022 and it was received during mid of September 2022 which resulted in additional resources being allocated to complete the required procedures.	-
Access to finance team and other key personnel		The finance team made every effort to make themselves available throughout the audit.	-
Quality and timing of Audit & Standards Committee papers		No issues identified.	-
Quality of draft financial statements		The draft financial statements included areas that required clarification additional narrative and other minor amendments. However, we have not identified any significant issues from our completion of CIPFA code checklist.	-
Response to control deficiencies identified		Control deficiencies have been discussed with management and accepted where no mitigating controls exist.	Page 18
Volume and magnitude of identified errors		Low volume and magnitude of identified errors.	Page 24

Our audit explained

We tailor our audit to your business and your strategy

Page 21



Significant Risks and Areas of Audit Focus

Dashboard



Risk	Material	Fraud risk	Approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Significant risks							
Capital expenditure			DI	Satisfactory		Satisfactory	9
Management override of controls			DI	Satisfactory		Satisfactory	10
Car parks valuation			DI	Satisfactory		Satisfactory	11
Area of Audit Focus							
Pension liability valuation				N/A as no such controls testing was performed		Satisfactory	13
Covid-19 grants				N/A as no such controls testing was performed		Satisfactory	15



Inconsistent



Minor differences



Consistent



Controls approach adopted

Assess design & implementation

Significant risks

Capital expenditure

Risk identified	<p>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.</p> <p>The Council's capital expenditure in 2021/22 was £17,695k (2020/21 £8,458k).</p> <p>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.</p>
Deloitte response and challenge	<p>We have completed the following procedures:</p> <ul style="list-style-type: none"> • We have tested the design and implementation of the key controls in place in relation to the determination of capitalisation expenditure. • We have performed test of details of capital expenditures during the year 2021/22 on a sample basis to confirm that the capitalisation criteria has been met and complies with relevant accounting requirements. <p>We are in the process of completing below procedure;</p> <ul style="list-style-type: none"> • We are identifying the journals of increased audit interest within capital expenditure i.e. debit to capital expenditure and credit to revenue expenditure and other material journals in capital expenditure (greater than 50% of our performance materiality) to ensure there are no errors that may result in material misstatement. The appropriateness of these journals would then be assessed through detailed testing.
Conclusion	<p>At the time of the report, we have no matters to bring to the attention of the Audit & Standards Committee. However, audit work on capital expenditure journals is still in progress as mentioned above and is also subject to final review of our engagement lead. We will provide an oral update at the meeting for any concerns.</p>

Significant audit risks (continued)

Management override of controls

Risk identified	<p>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.</p> <p>The key judgments in the financial statements are those which we have selected to be the significant audit risks: capital expenditure, car parks valuation and management override of controls. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.</p>
Deloitte response and challenge	<p>We have considered the key judgements made in preparation of the Statement of Accounts, and performed below procedures:</p> <p>Journals</p> <ul style="list-style-type: none"> • We have tested the design and implementation of controls in relation to journals. • We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • We have used computer-assisted profiling of all journals posted during the year to identify journals of increased audit interest. The appropriateness of these journals was then assessed through detailed testing. <p>Significant transactions</p> <ul style="list-style-type: none"> • We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear. <p>Accounting estimates</p> <ul style="list-style-type: none"> • We have performed design and implementation testing of the controls over key accounting estimates. • We have reviewed accounting estimates for biases including capital expenditure, that could result in material misstatements due to fraud. • We reviewed the accuracy of prior year estimates. • We assessed the design and implementation of controls relating to significant management estimates, in accordance with ISA540.
Conclusion	<p>The work regarding management override of controls is completed and is subject to final review of engagement lead. To date we have no matters to bring to the attention of the Audit & Standards Committee. We will provide an oral update at the meeting for any concerns.</p>

Significant audit risks (continued)

Car parks valuation

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 2021/22, there is £19.2m (2020/21: £13.2m) revaluation surplus credited to revaluation reserve which is material. 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 a material impact on valuations.

Deloitte response and challenge

We have completed the following procedures;

- We have tested the design and implementation of the key controls in place in relation to the valuation of car parks.
- We have considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- We have involved our valuation specialists, Deloitte Real Assets Advisory "DRAA", to review and challenge the appropriateness of the assumptions used in the year-end valuation of the Council's car park assets.

Significant audit risks (continued)

Car parks valuation (continued)

Deloitte response and challenge (continued)

We are in the process of the completing the below procedures;

- Our valuation specialists, Deloitte Real Assets Advisory "DRAA", are reviewing and challenging the appropriateness of the assumptions used in the year-end valuation of the Council's car park assets.
- We are reviewing the mathematical accuracy of the revaluation workings in line with ISA540 requirements.
- We are reviewing the presentation of revaluation movements and impairments, taking into account revaluation reserves for individual assets, and the disclosures included in the financial statements.
- We are challenging management's assessment whether any impairment arises in respect of newly capitalised expenditure.
- We are testing the inputs used in the car park valuations including the average income provided to the valuer, and considered if an allowance was made from net income figures in valuation as per our prior year's audit findings.

Conclusion

At the time of the report, we have no matters to bring to the attention of the Audit & Standards Committee. However, work by our DRAA specialist and other work as mentioned above, is still in progress due to ongoing communication with the Council's valuation experts and the Council's management. We will provide a verbal update on progress to the committee.

Other areas of audit focus

Pension liability valuation











Risk identified	<p>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.</p> <p>Hymans Robertson act as the Council's expert actuary, who produce a report outlining the liability and disclosures required.</p> <p>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.</p>
Deloitte response and challenge	<p>We have completed the following procedures:</p> <ul style="list-style-type: none">• We obtained a copy of the actuarial report for the Council produced by Hyman Robertson, the scheme actuary, and agreed the report to the Statement of Accounts pension disclosures to confirm that the disclosure of the pension figures in the statement of accounts agree with those provided by the scheme actuary.• We reviewed the disclosures made in the Statement of Accounts against the requirements of the CIPFA Code.• We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.• We have involved our internal pension specialist who has reviewed and challenged the assumptions made by Hyman Robertson, including benchmarking as shown in the table on the following page. <p>We are in the process of completing below procedures;</p> <ul style="list-style-type: none">• We are waiting for the response of IAS 19 letter from the audit team of Gloucestershire County Council Pension Fund, Grant Thornton.• After receipt of IAS 19 letter, we will assess if any further correspondence is required with the audit team of Gloucestershire County Council Pension Fund, Grant Thornton, to obtain assurances over the information supplied to the actuary in relation to the Council including membership data.
Conclusion	<p>At the time of the report, we have identified that no adjustment has been made by the actuary in relation to the Goodwin judgement, which will result in a judgemental misstatement in the region of 0.1% of the Council's defined benefit obligation. This is discussed further on page 24.</p> <p>In addition, we are awaiting receipt of information from Gloucestershire County Council Pension Fund auditors. We will provide a verbal update on progress to the committee.</p>

Other areas of audit focus (continued)

Pension liability valuation (continued)

Review of assumptions used by actuary

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

Assumption	Council March 2022	Benchmark	Deloitte Assessment	Assessment key
Discount rate (% p.a.)	2.70%	2.60% - 2.85%		 In reasonable range
Salary increase rate (% p.a.)	3.50%	In line with that used in the most recent funding valuation.		 Towards limit of reasonable range
Consumer Price Index (CPI) Inflation rate (% p.a.)	3.20%	3.00% - 3.30%		 Optimistic or Prudent
Retain Price Index (RPI) Inflation rate (% p.a.)	3.65%	3.60% - 3.75%		
Pension increase in payment and deferment (% p.a)	3.20%	In line with CPI assumption		
Mortality assumptions for a; - male pensioner currently aged 65 - female pensioner currently aged 65 - male pensioner currently aged 45 - female pensioner currently aged 45	21.70 24.10 22.60 25.80	Within acceptable range		
Proportion married assumption - % of males who are assumed to be married at retirement - % of females who are assumed to be married at retirement	90% 85%	Closer to prudent range		

Other areas of audit focus (continued)

Covid-19 Grants

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.

Deloitte response and challenge

We have performed the following procedures:

- We reviewed management's assessment on the accounting treatment of each significant Covid-19 grant and challenged the appropriateness of the approach adopted.
- We have performed test of details on a sample of funding for Covid-19 grants and confirmed these have been recognised in accordance with any conditions applicable, including appropriate recognition in both the Comprehensive Income and Expenditure Statement and the Balance Sheet;
- We have considered the adequacy of disclosures in the financial statements, including its accounting policies;
- We have tested the agency arrangements, where it is concluded that the Council is acting as an agent, that:
 - Transactions have been excluded from the Comprehensive Income and Expenditure Statement;
 - The Balance Sheet reflects the debtor or creditor position at 31 March 2022 in respect of cash collected or expenditure incurred on behalf of the principal; and
 - The net cash position at 31 March 2022 is included in the financing activities in the Cash Flow Statement.

Conclusion

The work regarding Covid-19 grants is completed and is subject to final review of engagement lead. To date we have no matters to bring to the attention of the Audit & Standards Committee. We will provide an oral update at the meeting for any concerns.

Value for money

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

Value for Money requirements

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

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

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

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

In addition, we have:

- reviewed of the Council's draft Annual Governance Statement;
- reviewed internal audit reports through the year and the Head of Internal Audit Opinion;
- considered issues identified through our other audit and assurance work; and
- considered the Council's financial performance and management throughout 2021/22.

Value for money

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

Findings of our work

Our Value for Money work is on-going, and will be reported within three months from signing the accounts. Our auditor's annual report will cover both 2020/21 and 2021/22.

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

As of date, we have not identified any matters to report by exception in our financial statement audit opinion.

Our opinion will state that work is on-going.

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Year first communicated, severity		Deloitte recommendation	Management response and remediation plan
The fixed asset register (FAR) is complex and does not include all relevant PPE movements	2019/20	!	<p>The FAR is complex and does not include all relevant PPE movements, e.g the Major repairs additions, or depreciation for council houses. There are also several other tabs required to reconcile the FAR to the annual accounts. This has contributed to revaluation movements being accounted for in cost when they should be for accumulated depreciation. We would expect that all movements and property balances are included in a single FAR.</p> <p>2021/22 Update: We note that improvements have been made in relation to the FAR during the year. However, for the year ended March 2022 there was still differences between the FAR and the statutory accounts for the cost and accumulated depreciation of £666K (£561K in Vehicles, plant and equipment and £100K in Infrastructure assets) which was later on corrected by the management in the accounts. We recommend management to ensure that FAR and statutory accounts are completely reconciled.</p>	Historical differences between the cost and accumulated depreciation for Other Land and Buildings in the Fixed Asset Register have been corrected in 2021/22. The technical adjustment has a net £nil impact on the net book value of the Council's non-current asset values.
Review of pension assumptions not documented	2021/22	!	We have noted that Stroud has external actuary named "HYMANS ROBERTSON LLP" who prepares the pension reports for management. This involves various assumptions i.e. CPI, RPI and discount rates. While management performs the sense check for these assumptions but there is no documentation available to evidence the review of pension assumptions by management.	We use external actuaries to prepare the pension reports. Management considers the assumptions as part of accounts closedown.



Significant deficiencies reported



Other matters for attention reported

Other significant findings

Financial reporting findings

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

Qualitative aspects of your accounting practices:

No issues have been identified.

Other matters relevant to financial reporting:

There are no other matters required to be raised.

Significant matters discussed with management:

There have been no significant matters arising from the audit.

Liaison with internal audit:

The audit team has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. However, we no reliance was placed on internal audit work.

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

Our audit report

The form and content of our report

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



Our opinion on the financial statements

Based on the current status of our audit work, we envisage issuing an unmodified audit opinion.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

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



Value for Money reporting by exception

Our opinion will note that our Value for Money work is on-going and will be reported in our Auditor's Annual Report. We have no matters to report by exception in our financial statement audit opinion.



Irregularities and fraud

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

In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

We will discuss the areas identified where fraud or other non-compliance with laws and regulations may occur, and any identified key audit matters relating to fraud.

Your annual report

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

	Requirement	Deloitte response
Narrative Report	<p>The Narrative Report is expected to address (as relevant to the Council):</p> <ul style="list-style-type: none"> • Organisational overview and external environment; • Governance; • Operational Model; • Risks and opportunities; • Strategy and resource allocation; • Performance; • Outlook; and • Basis of preparation. 	<p>We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance.</p> <p>We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit. Our work to date does not indicate that the narrative report is otherwise misleading. This will be confirmed upon receipt of the final version.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. We have raised some review points for management to consider and it is still to be formally approved by the Audit & Standards Committee and will be confirmed upon receipt of the final version.</p>

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

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

The scope of our work

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

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

What we don't report

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

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

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

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

Michelle Hopton

For and on behalf of **Deloitte LLP**

Bristol | 21 November 2022

Appendices

Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

		Debit/ (credit) Income and expenditure account £m	Debit/ (credit) in assets / liabilities £m	Equity / reserves £m	Debit/ (credit) OCI/Equity £m	If applicable, control deficiency identified
Misstatements identified in current year						
Impact of Goodwin liability not accounted for in the financial statements in 2021/22	[1]	(0.1)	0.1	-	-	
Total		(0.1)	0.1	-	-	
Misstatements identified in prior year						
Overstatement in provision for housing capital works	[2]	-	0.6	(0.6)	-	
Impact of Goodwin liability not accounted for in the financial statements in 2020/21	[3]	-	(0.3)	0.3	-	
Total		(0.1)	(0.6)	0.7	-	

[1 and 3] The impact of the Goodwin liability should be recognised in 2021/22 as a past service cost in the income and expenditure account. A projected impact is of 0.1% to the Council's defined benefit obligation has been calculated by Deloitte Pension specialists, for a typical LGPS employer. This has been calculated at a £0.2m understatement for the defined benefit obligation as at 31 March 2022 in the current year. When combined with the brought forward £0.3m understatement of the pension liability as a result of Goodwin this results in a £0.1m release to the pension liability.

[2] This was related to housing capital works provision which after being reviewed in last year was concluded as overstatement and no longer required as at the 31 March 2021.

Important note

The audit work for year 2021/22 is still in progress on certain areas as mentioned on above slides and we may report additional misstatements subject to the completion of the audit work on these.

Disclosure deficiencies

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

Audit adjustments

Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (credit) Assets £	Debit/ (credit) Liabilities £	Debit/ (credit) Income and expenditure account £	Debit/ (credit) OCI/Equity £	If applicable, control deficiency identified
<hr/>						
Reclassification of credit balances under cash and cash equivalents						
Dr. Cash and cash equivalents	[1]	183,096	-	-	-	
Cr. Short term debtors		(183,096)				
<hr/>						
Adjustment to cost and accumulated depreciation in Note 14 of the accounts						
Dr. Accumulated depreciation (Fixed assets)	[2]	666,000	-	-	-	Page 18
Cr. Cost (Fixed assets)		(666,000)				
<hr/>						

[1] This relates to unallocated receipts where the funds are miscoded to Cash and bank GLs instead of short term debtors hence the amount is reclassified to short term debtors.

[2] This represents the adjustment made in the accounts to reconcile the fixed asset register with Note 14 of the accounts. Please refer to slide 18 for further details.

Independence and fees

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

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and our objectivity is not compromised.
Fees	Details of proposed fees for audit performed for the period have been presented separately on the following page. There are no non-audit services provided to the Council during the year.
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no 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 (continued)

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

	2021/22 Audit £	2020/21 Audit £
Stroud District Council Financial Statements		
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	TBC**	15,000*
Total fees	TBC	74,816

* 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.

**During the course of the audit we have incurred unplanned cost which were not built into the audit fee i.e. delays to receipt of evidences for samples including delays to receipt of other required information and challenges around valuation. On completion we will agree these with management and seek approval from the PSAA.

Our approach to quality

FRC Audit Quality Inspection and Supervision report

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-review/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

FRC Audit Quality Inspection and Supervision report

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

FRC Audit Quality Inspection and Supervision report

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

FRC Audit Quality Inspection and Supervision report

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

FRC Audit Quality Inspection and Supervision report

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.

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

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

Required representations:

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

We also ask the Audit & Standards Committee to confirm their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the risk of fraud in the capital expenditure and management override of controls as a significant audit risk.

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

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

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

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

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STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

TUESDAY, 29 NOVEMBER 2022

Report Title	Statement of Accounts 2021/22			
Purpose of Report	To approve the Statement of Accounts 2021/22 and receive Deloitte's audit opinion, including the changes to the accounts since the unaudited accounts were signed off by the Strategic Director of Resources on 28 July 2022.			
Decision(s)	The Committee RESOLVES to: a) Approve the audited Statement of Accounts for the year ending 31 March 2022 and b) Approve that the Strategic Director of Resources and Chair of the Audit Committee sign the Statement of Accounts and the letter of representation.			
Consultation and Feedback	Not applicable.			
Report Author	Graham Bailey, Principal Accountant Tel: 01452 754133 Email: graham.bailey@stroud.gov.uk			
Options	None			
Background Papers	None			
Appendices	Appendix A – Statement of Accounts 2021/22			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1. Introduction

- 1.1 In accordance with requirements under the Accounts and Audit Regulations 2015, as amended by The Accounts and Audit (Amendment) Regulations 2021, the Strategic Director of Resources is required to sign and date the Statement of Accounts by 31 July 2022 and certify that it presents a true and fair view of the financial position of the Council at the end of March 2022 and its income and expenditure.
- 1.2 The Statement of Accounts for 2021/22 was signed as approved by the Strategic Director of Resources on 28 July 2022, in accordance with these requirements. The unaudited Statement of Accounts 2021/22 was made available on the Council's website from 28 July 2022 in compliance with the amended Accounts and Audit Regulations 2015.
- 1.3 A number of changes have been made to the unaudited Statement of Accounts 2021/22. Some changes are to the narrative content, general presentation for the benefit of readers and to the internal consistency and correctness of the figures in notes to the accounts.
- 1.4 Through the Committee resolving to approve the audited Statement of Accounts, the Strategic Director of Resources together with the Chairman of the Audit and Standards Committee will need to sign a letter of representation on behalf of the Committee and Council to Deloitte, to enable the audit opinion to be issued. The signing of this letter is

consistent with established protocols, the requirements of Deloitte and the general delegations to the Strategic Director of Resources. This letter is a formal written record of the representations being made on behalf of the Council via the committee. It deals with the processes and procedures the Council adopts to ensure that it is in compliance with statutory requirements, laws and regulations and also confirms there is a sufficiently robust management system to prevent and detect fraud and irregularities.

- 1.5 In addition, Regulation 9 requires that the Statement of Accounts should be signed and dated by the Chair presiding at the Audit and Standards Committee meeting at which approval is given. That regulation also requires the Statement of Accounts is published with the Independent auditor's report to the members of Stroud District Council.
- 1.6 The Council's external auditors Deloitte also present separately to this meeting their 'Report to the Audit & Standards Committee on the 2021/22 audit', which summarises their finding arising from their audit of the Statement of Accounts.

2. Commentary on the Statement of Accounts

- 2.1 The Statement of Accounts is comprised of four main statements as required by International Financial Reporting Standards which are:-
 - 2.2 **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.
 - 2.3 **Comprehensive Income and Expenditure Statement (CIES):** The CIES consolidates all the all the financial gains and losses experienced during the year. The CIES has two sections:
 - a. Surplus or Deficit on the Provision of Services – which shows the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income.
 - b. Other Comprehensive Income and Expenditure – which shows any other changes to net worth, and examples include movements in the fair value of assets or actuarial gains or losses on pension assets and liabilities.
 - 2.4 **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.
 - 2.5 **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. Changes from the Draft Statement of Accounts**
- 3.1 There have been a small number of changes since the draft Statement of Accounts published in July. It should be noted that all of the changes are presentational and there is no change to the financial position of Stroud District Council.

3.2 Table 1 – changes to the Statement of Accounts

Note amended	Detail
Narrative Statement	Small changes and updates
Note 14 - Property, Plant and Equipment	Changes to brought forward carrying values and depreciation to Infrastructure Assets and Vehicles, Plant and equipment to bring Note in line with the Fixed Asset Register. No change to the net book value of assets
Balance Sheet	Reclassification of amounts received through cashiers (from debtors to cash) due to timing differences over 1 April
Cashflow Statement	
Note 19 - Debtors	
Note 20 - Cash and Cash Equivalents	
Note 26 - Cashflow	Revision of financial instruments to exclude VAT and other taxes
Note 17 - Financial Instruments	
Note 18 - Nature and Extent of Risks Arising from Financial Instruments	Amended to include all loan repayments

4. IMPLICATIONS

4.1 Financial Implications

There are no financial implications arising from this report.

Andrew Cummings, Strategic Director of Resources

Email: Andrew.cummings@stroud.gov.uk

4.2 Legal Implications

There are no specific legal implications arising from the recommendations of this report.

The Authority is required to present its Statement of Accounts that are prepared in accordance with the appropriate regulations. The Authority is subject to statutory external audit in relation to its Statement of Accounts.

One Legal

Email: 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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Statement of Accounts 2021/22



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Chief Financial Officer's Narrative Report

Introduction

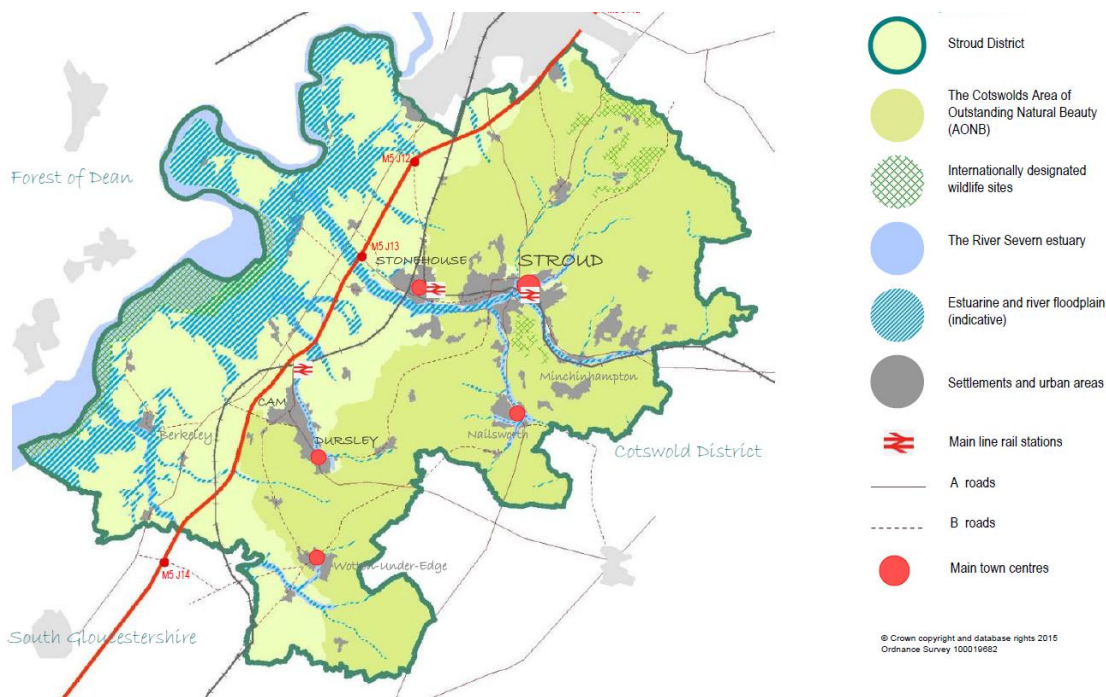
Welcome to the Narrative Report and Statement of Accounts for Stroud District Council. This narrative report sets the scene and tells the story of the District Council over the past year. Included within are details of the Council and the District, financial and non-financial performance for the past 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 km² or 175 miles²). Stroud lies about 20 miles north of Bristol and immediately south of Gloucester and Cheltenham. Gloucestershire sits at the periphery of England's south west and has close links with the Midlands, as well as South Wales. Stroud District shares boundaries with Cotswold District, Gloucester City, Tewkesbury Borough and the unitary authority of South Gloucestershire. Our neighbour to the west is the Forest of Dean, which sits on the opposite bank of the River Severn estuary. Much of the eastern half of the District falls into the Cotswold National Landscape (formerly an Area of Outstanding Natural Beauty).



- Stroud District 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.

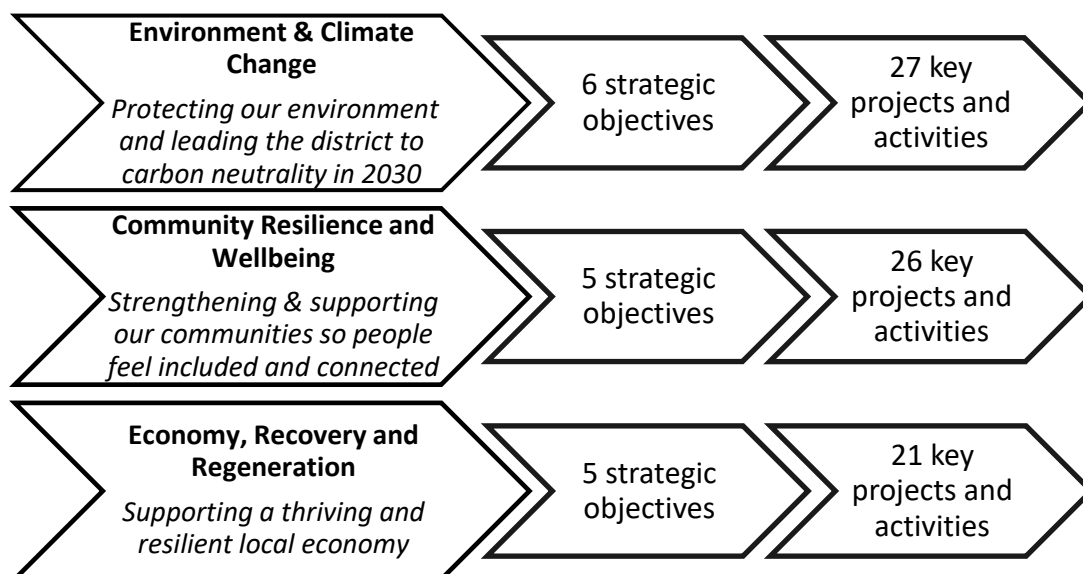
Our Vision and Priorities

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.

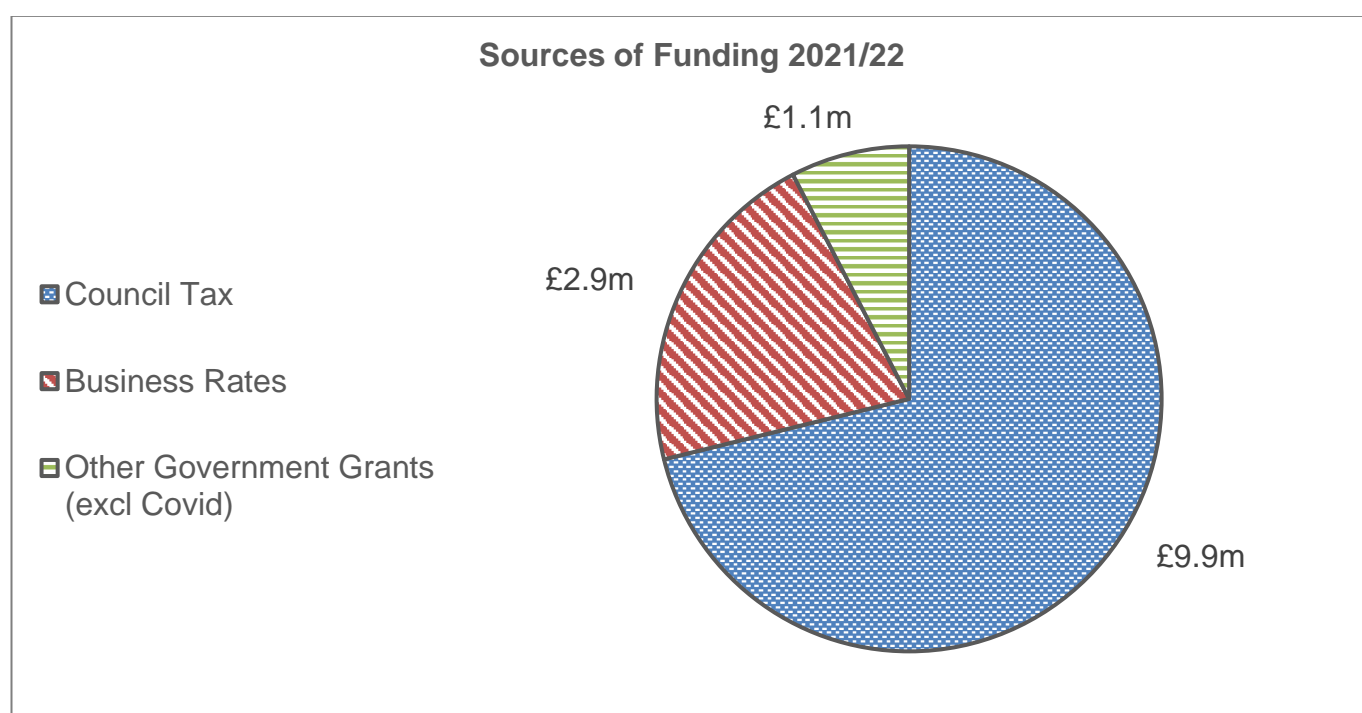


To ensure that the council has a co-ordinated approach to delivering its objectives, the key projects and activities have been outlined in a Delivery Plan which also includes the governance arrangements as well as the timescale for start and completion of the project. The Delivery Plan also includes 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 £1.762m.

Funding was received in the following amounts:



The detailed outturn position is shown in the following table:

	2021/22 Revised Budget £000	2021/22 Outturn £000	2021/22 Reserve Transfers £000	2021/22 Outturn Variance £000
GENERAL FUND				
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)
Net Revenue Expenditure	16,275	13,998	1,109	(1,167)
Funding from Govt Grants/Council Tax	(10,687)	(13,878)	2,235	(956)
Transfers to Earmarked Reserves	(5,588)	(1,882)	(3,344)	362
Total General Fund	0	(1,761)	0	(1,761)

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:

Service Area	Variance (under)/ overspend £k
Community Services and Licensing	
Housing Benefit subsidy	406
Community Health and Wellbeing	(67)
Customer Services	94
Public spaces	(90)
Environment	
Waste and recycling	(616)
Development control	(138)
Strategy & Resources	
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)
Total	(1,761)

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.

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.

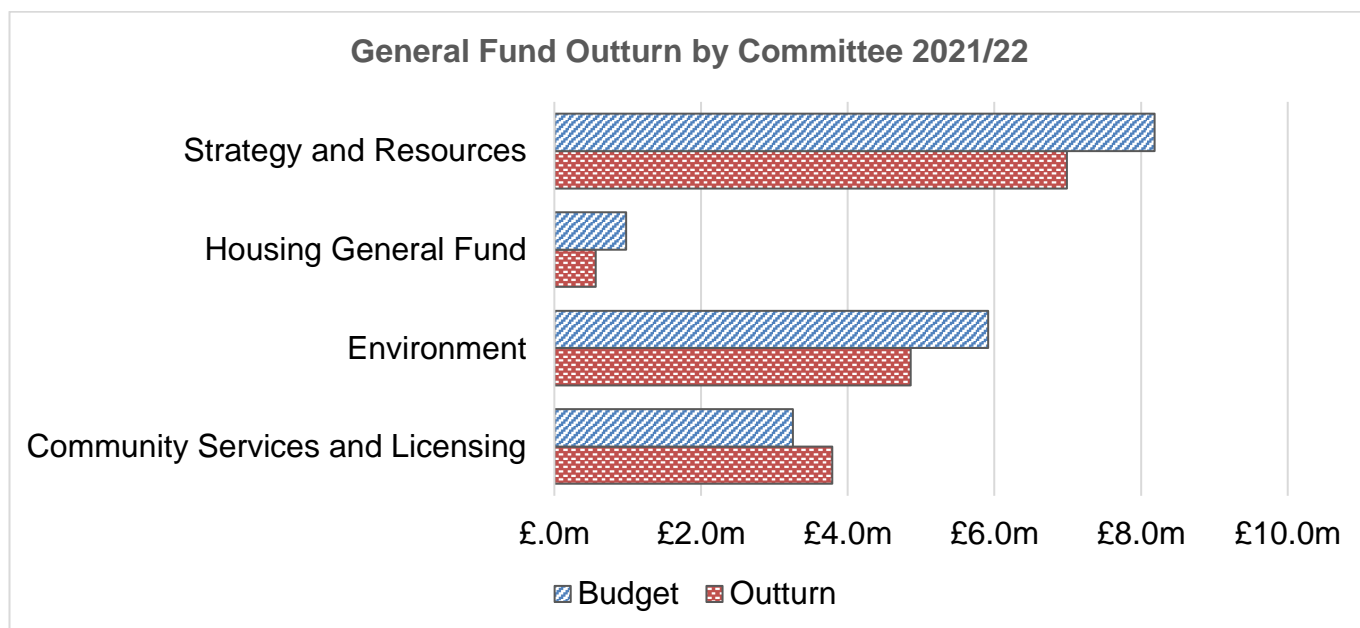
There has been no change in the Council's bottom-line General Fund balance which currently stands at £2.169m.

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
Total General Fund Reserves	27,373	(1,171)	26,202

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.

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:

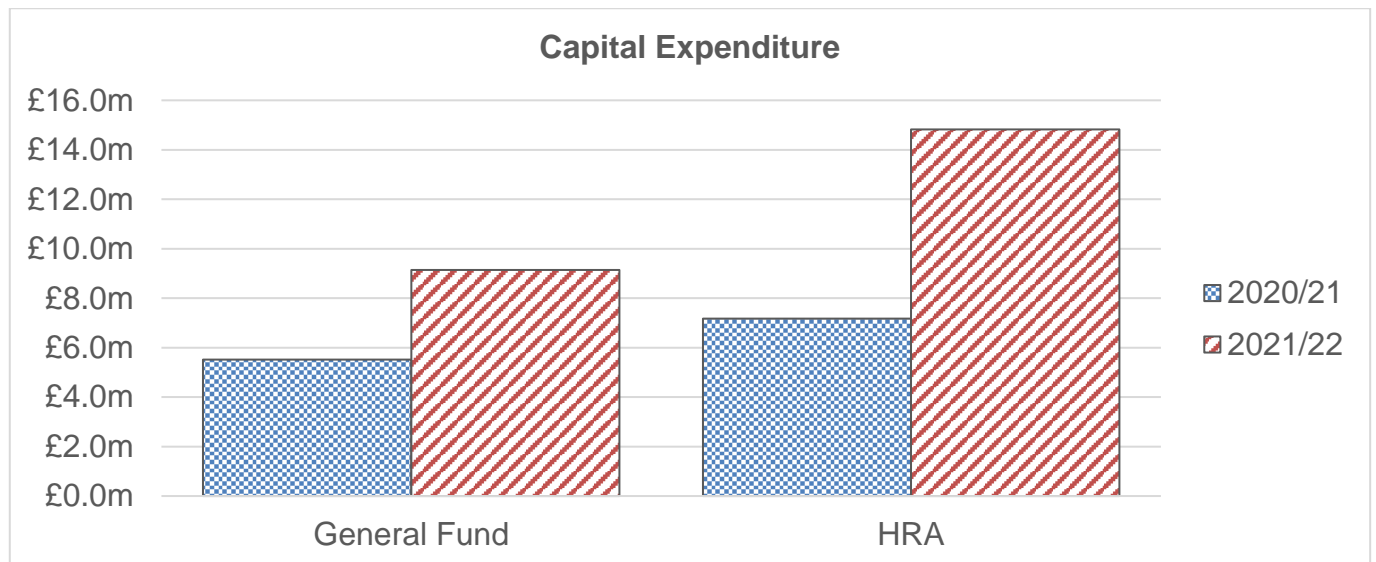
- £0.428m loss of income and Council Tax payable due to voids
- (£0.291m) salary underspends (excluding Property Care)
- £0.387m additional spend on repairs and maintenance

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.

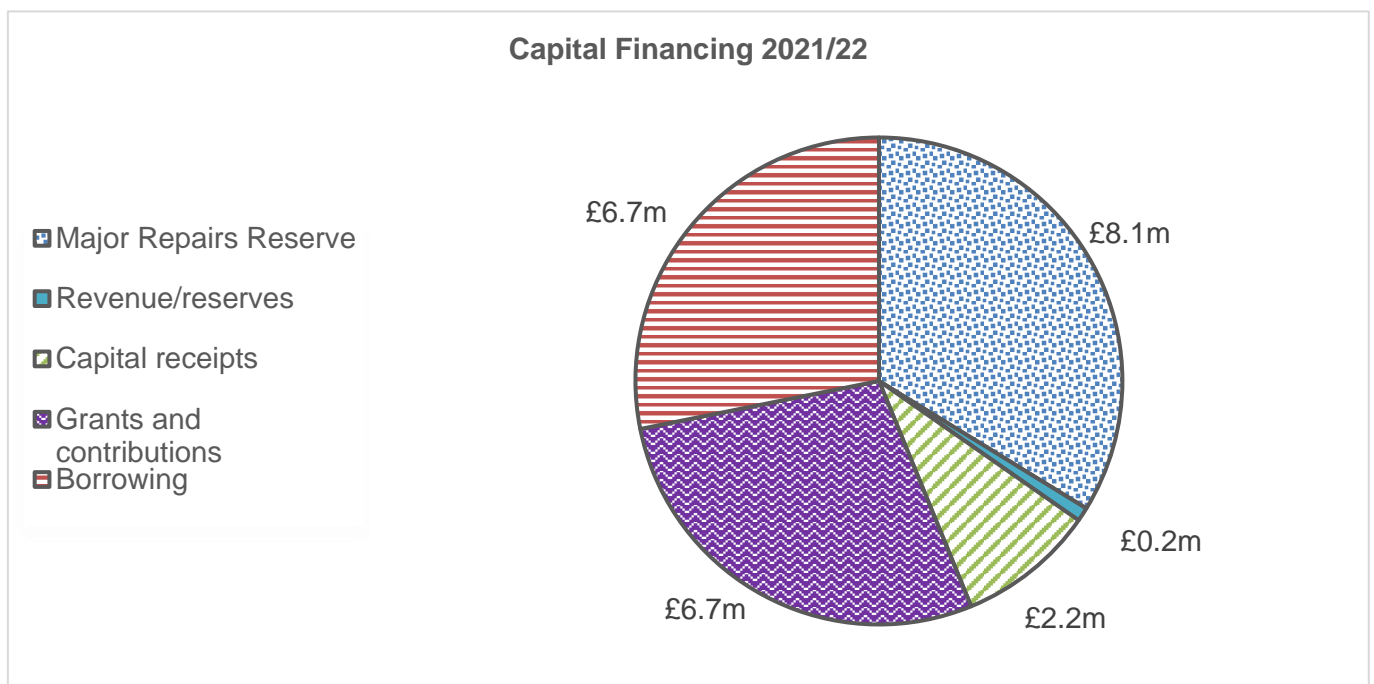
HRA Balances 2021/22	Opening balance £k	Net transfers to/(from) £k	Closing balance £k
General Reserves	4,611	(51)	4,560
Earmarked Reserves	5,668	1,119	6,787
Major Repairs Reserve	5,965	(1,409)	4,556
Total balances	16,244	(341)	15,903

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.



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 £5.406m (2021/22 £24.661m, 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

30 November 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>								
Expenditure on Council Services								
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		
14,122	-2,895	17,017	Net cost of services	15,135	-9,614	24,750		
-23,056	-3,456	-19,600	Other income and expenditure	-15,032	11,284	-26,317		
-8,934	-6,350	-2,584	Surplus (-) or deficit on Provision of Services	103	1,670	-1,567		
-28,717			Opening General Fund and HRA balance	-37,651				
-8,934			Surplus or deficit on General Fund and HRA balance in year	103				
-37,651			Closing General Fund and HRA Balance	-37,548				
General Fund Balance	Housing Revenue Account Balance	Total Balances		General Fund Balance	Housing Revenue Account Balance	Total Balances		
-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		
-27,373	-10,279	-37,651	Closing balance	-26,202	-11,347	-37,548		

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
Figures in £000s				Notes			
Expenditure on Council Services							
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
67,598	-50,582	17,017	Surplus (-) / Deficit on Operations		77,239	-52,490	24,750
4,952	-816	4,136	Other Operating Expenditure	11	4,996	-1,304	3,692
4,399	-470	3,929	Financing & Investment Income & Expenditure	12	3,734	-422	3,313
-	-27,666	-27,666	Taxation & Non-Specific Grant Income	13	-	-33,322	-33,322
		-2,584	Surplus (-) / Deficit on Provision of Services				-1,567
		-13,276	Surplus (-) / deficit on revaluation of property, plant & equipment assets	25			-19,214
		11,810	Actuarial remeasurement gains (-) / losses on pension assets / liabilities	32			-17,498
		-1,466	Other Comprehensive Income & Expenditure				-36,712
		-4,050	Total Comprehensive Income & Expenditure				-38,279

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
Balance at 31 March 2021		27,373	10,279	5,965	10,259	938	54,813	162,567	217,380
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
Total Comprehensive Income & Expenditure		-1,297	2,865	-	-	-	1,567	36,712	38,279
Adjustments between accounting basis & funding basis under regulations	9	127	-1,797	-1,409	-216	2,201	-1,094	1,094	-
Increase / (Decrease) in Year		-1,171	1,068	-1,409	-216	2,201	473	37,806	38,279
Balance at 31 March 2022		26,202	11,347	4,556	10,042	3,139	55,286	200,373	255,659

General Fund and HRA balance analysed over		General Fund £000	HRA £000	Total £000
Amounts earmarked	10	24,032	6,787	30,819
Amounts uncommitted		2,169	4,560	6,729
Total General Fund and HRA balance as at 31 March 2022		26,202	11,347	37,548

Movement in Reserves Statement 2020/21

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

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

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
340,657	Long-term Assets		367,595
28,821	Short-term Investments	17	28,814
-	Assets Held for Sale	21	174
11,286	Short-term Debtors	19	12,656
19,255	Cash and Cash Equivalents	20	24,661
59,361	Current Assets		66,305
-	Short Term Borrowing	17	-2,000
-24,995	Short-term Creditors	22	-35,565
-24,995	Current Liabilities		-37,565
-2,186	Long-term Creditors	22	-2,186
-1,536	Provisions	23	-1,151
-102,717	Long-term Borrowing	17	-100,717
-51,204	Pension Reserve	32	-36,621
-157,643	Long-term Liabilities		-140,676
217,380	Net Assets		255,659

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		Notes	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	-21,513
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		-20,492
16,259	Investing Activities	27	15,086
1,000	Financing Activities	28	-
-2,761	Net increase (-) or decrease in cash and cash equivalents		-5,406
16,494	Net cash and cash equivalents at the beginning of the reporting period		19,255
19,255	Net cash and cash equivalents at the end of the reporting period	20	24,661

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. There are none to be disclosed in this Statement of Accounts.

(e) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

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

(f) Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

(g) Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or the pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid

to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

(h) Post-employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and 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.
 - Unlisted 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.

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.

No events have taken place after the date of authorisation for issue that are required to be included in this Statement of Accounts.

(j) Financial Instruments**Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the

instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of 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.

(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.

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.

Recognition

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other classes of asset – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Impairment

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

Capitalisation of Salaries

The Council may capitalise salaries where employees work full-time on a project. In the case of computer software installations, the cost of software consultants' time will be included 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.

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 His 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:

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 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
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.

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 income of £5.375m (2020/21 £6.512m) was 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)	Net change for the Pensions Adjustments (b)	Other Differences (c)	Total Adjustments
	£000	£000	£000	£000
Expenditure on Council Services				
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
Net cost of services	-6,738	-2,145	-731	-9,614
Other income and expenditure from the expenditure and funding analysis	49	-770	12,005	11,284
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	-6,689	-2,915	11,274	1,670

Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2020/21

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

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

(a) Adjustments for Capital Purposes

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

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

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

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

(b) Net Change for the Pensions Adjustments

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

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

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

(c) Other Differences

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

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

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

8. Expenditure and Income Analysed by Nature

Expenditure and Income Analysed by Nature		
	2020/21	2021/22
	£000	£000
Expenditure		
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
Total Expenditure	76,949	85,970
Income		
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
Total Income	-79,533	-87,537
Surplus (-) or Deficit on the Provision of Services	-2,584	-1,567

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	
Adjustments to the Revenue Resources						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pensions costs (transferred to (or from) the Pensions Reserve)	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
Total Adjustments to Revenue Resources	9,422	6,832	-	-	-	-16,254
Adjustments between Revenue and Capital Resources						
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
Total Adjustments between Revenue and Capital Resources	-455	-7,944	6,681	1,969	-	-251
Adjustments to Capital Resources						
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
Total Adjustments to Capital Resources	-8,840	-684	-8,091	-2,185	2,201	17,599
Adjustments between accounting basis & funding basis under regulations	127	-1,797	-1,409	-216	2,201	1,094

Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21

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

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.

Transfers to / from Earmarked Reserves 2021/22							
	Balance 31 March 2020	Transfers From 2020/21	Transfers To 2020/21	Balance 31 March 2021	Transfers From 2021/22	Transfers To 2021/22	Balance 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
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
Total earmarked reserves - General Fund	18,192	-1,573	8,583	25,203	-6,925	5,755	24,032
HRA:							
HRA earmarked reserve	3,925	-949	2,692	5,668	-1,007	2,126	6,787
Total earmarked reserves - HRA	3,925	-949	2,692	5,668	-1,007	2,126	6,787
Total earmarked reserves	22,118	-2,522	11,275	30,871	-7,932	7,881	30,819

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

11. Other Operating Expenditure

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

12. Financing and Investment Income and Expenditure

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

13. Taxation and Non-Specific Grant Income

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

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
Cost or valuation						
At 1 April 2021	274,846	2,955	47,762	11,231	228	337,022
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
At 31 March 2022	300,335	6,303	46,545	11,978	228	365,389
Accumulated Depreciation & Impairment						
At 1 April 2021	-	-	-482	-6,060	-114	-6,656
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	-	-	-	-	-	-
At 31 March 2022	-	-	-1,337	-7,503	-125	-8,965
Net Book Value						
At 31 March 2022	300,335	6,303	45,208	4,475	103	356,418
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 for Other land and buildings, Vehicles, plant, furniture and equipment and Infrastructure assets to agree with the Fixed Asset Register, however overall value brought forward is unchanged.

Property, Plant and Equipment

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

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

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
Cost or valuation At 31 March 2022	20	80	40	140

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.

Capital Expenditure and Financing		
	2020/21	2021/22
	£000	£000
Opening Capital Financing Requirement	110,014	111,332
Capital Investment		
Property, Plant and Equipment	8,458	17,695
Revenue Expenditure Funded from Capital under Statute	4,227	6,650
Sources of Finance		
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
Closing Capital Financing Requirement	111,332	117,058
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	1,318	5,726
Increase / decrease(-) in Capital Financing Requirement	1,318	5,726

17. Financial Instruments

Categories of Financial Instruments

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

Categories of Financial Instruments				
	Long-term		Current	
	31 March	31 March	31 March	31 March
	2021	2022	2021	2022
	£000	£000	£000	£000
Investments				
Financial assets at amortised cost	-	-	28,821	28,814
Financial assets at fair value through profit and loss	9,867	10,750	-	-
Total Investments	9,867	10,750	28,821	28,814
Debtors				
Financial assets at amortised cost	284	287	4,816	3,879
Assets not defined as financial instruments	-	-	6,470	8,776
Total Debtors	284	287	11,286	12,656
Borrowings				
Financial liabilities at amortised cost	-102,717	-100,717	-	-2,000
Total Borrowings	-102,717	-100,717	-	-2,000
Creditors				
Financial liabilities carried at amortised cost	-2,186	-2,186	-8,661	-6,056
Liabilities not defined as financial instruments	-	-	-16,334	-29,509
Total Creditors	-2,186	-2,186	-24,995	-35,565

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:

Fair Values - Liabilities				
	31 March 2021		31 March 2022	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
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	6,056	6,056

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

Fair Values - Receivables

	31 March 2021		31 March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans & receivables	33,637	33,637	32,694	32,694
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.

Fair Values - Financial Assets

	31 March 2021	31 March 2022
	£000	£000
Lothbury Property Fund	3,840	4,401
Hermes Property Fund	1,953	2,285
Royal London Multi-Asset Fund	3,064	3,012
CCLA	1,010	1,057
TOTAL	9,867	10,755

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.

- 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.

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

Liquidity Risk

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

Maturity - Liabilities		
	31 March 2021	31 March 2022
	£000	£000
Less than one year	24,995	37,565
Between one and two years	2,000	-
Between two and five years	2,000	2,000
More than five years	100,717	100,717
	129,712	140,282

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

Refinancing Risk

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

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

The maturity analysis of financial liabilities is below.

Maturity Analysis - PWLB		
	31	31
	March	March
	2021	2022
	£000	£000
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
Total	102,717	102,717

*PWLB maturities are during the period up until 2066.

Market Risk

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

The Council is protected from this risk through not holding investments with the intention of trading; where tradeable investments are held it is policy to hold them until maturity, or for the medium to long term in the case of property funds and multi-asset funds. This has the effect of nullifying or greatly reducing market risk.

Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of borrowings will fall.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

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

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans

will be repaid early to limit exposure to losses. Risk of loss may be ameliorated if a proportion of government grant payable on financing costs moves with prevailing interest rates or the Council's cost of borrowing, and provides compensation for a proportion of any higher costs.

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

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:

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

Debtors		
	31 March 2021 Restated £000	31 March 2022 £000
Trade receivables	2,018	1,960
Prepayments	750	682
Other receivables	8,517	10,014
Total Debtors	11,286	12,656

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

Cash and Cash Equivalents			
	31 March 2021	31 March 2022	
	£000	£000	
Cash held by the Authority	2	1	
Bank current accounts	61	-461	
Short-term deposits with banks	19,192	25,120	
Total Cash and Cash Equivalents	19,255	24,661	

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

21. Assets Held for Sale

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

22. Creditors

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

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

Provisions			
	Housing Repairs	NNDR	Total
	£000	£000	£000
Balance at 31 March 2021	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
Balance at 31 March 2022	-	1,151	1,151

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.

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

24. Usable Reserves

Usable Reserves	
31 March 2021 £000	31 March 2022 £000
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
54,813 Total Usable Reserves	55,286

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

25. Unusable Reserves

Unusable Reserves	
31 March 2021 £000	31 March 2022 £000
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
<u>162,567</u> Total Unusable Reserves	<u>200,373</u>

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.

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

Capital Adjustment Account

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

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

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

Capital Adjustment Account

31 March 2021 £000		31 March 2022 £000
<u>158,845</u>	Balance at 1 April	<u>158,092</u>
<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
<u>-13,016</u>		<u>-17,333</u>
895	Adjusting amounts written out of the Revaluation Reserve	1,431
<u>-12,121</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>-15,902</u>
<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
<u>11,368</u>		<u>18,619</u>
<u>158,092</u>	Balance at 31 March	<u>160,809</u>

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	£000
	-311		-129
	Balance at 1 April		
303		937	
-122	Upward revaluation of investments	-54	
	Downward revaluation of investments		
	181		884
	-129		754
	Balance at 31 March		

Pensions Reserve

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

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

Collection Fund Adjustment Account

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

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

Accumulated Absences Account

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

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

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	-10,571
2,761	Increase / decrease (-) in debtors	1,370
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
-19,672	Non-cash items in Net Surplus (-) / Deficit	-21,513

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
16,259	Net cash flows from investing activities	15,086

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	-
1,000	Net cash flows from financing activities	-

29. Members' Allowances

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

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

30. Officers' Remuneration

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

Officers' Remuneration				
	Year	Salary, Fees & Allowances	Pension Contribution	Total
		£	£	£
Chief Executive	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

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	-	-	-	-	-	-	-	-	
TOTAL	-	-	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:

Transactions Relating to Post-employment Benefits

	Local Government Pension Scheme	
	2020/21	2021/22
	£000	£000
Comprehensive Income and Expenditure Statement		
<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
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,406	6,936
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets (excluding the amount included in the net interest expense)	-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
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	16,216	-10,562
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	-12,058	14,583
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer contributions payable to the scheme	4,158	4,021

Assets and Liabilities Recognised in the Balance Sheet

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

	2020/21 £000	2021/22 £000
Present value of the defined benefit obligation	-166,093	-160,060
Fair value of plan assets	114,888	123,439
Net liability arising from the defined benefit obligation	-51,205	-36,621

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

Reconciliation of the Movements in the Fair Value of Scheme Assets

Reconciliation of the Movements in the Fair Value of Scheme Assets

	2020/21 £000	2021/22 £000
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
Closing fair value of scheme assets	114,888	123,439

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 £000	2021/22 £000
Opening balance at 1 April	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
Closing balance at 31 March	166,093	160,060

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
Debt Securities:	-	-	-	-	-	-	-	-
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%
Private Equity:	-	-	-	-	-	-	-	-
All	-	587	587	1%	-	1,347	1,347	1%
Real Estate:	-	-	-	-	-	-	-	-
UK Property	5,562	1,711	7,273	6%	5,142	3,583	8,725	7%
Overseas Property	-	538	538	0%	-	860	860	1%
Investment Funds and Unit Trusts:	-	-	-	-	-	-	-	-
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%
Derivatives:	-	-	-	-	-	-	-	-
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	28	-	28	0%	-	-	-	0%
Other	8	-	8	0%	-	-	-	0%
Cash and Cash Equivalents:	-	-	-	-	-	-	-	-
All	3,192	-	3,192	3%	1,645	-	1,645	1%
Totals	32,310	82,578	114,888	100%	14,676	108,830	123,505	100%

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

Basis for Estimating Assets and Liabilities

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

Assumptions

	2020/21	2021/22
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.

Change in Assumptions at 31 March 2022

	Estimated % increase to Employer Liability	Estimated monetary amount £000
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:

External Audit Costs		
	2020/21 £000	2021/22 £000
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
Total External Audit Costs	89	80

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:

	2020/21 £000	2021/22 £000
Total Non Ringfenced Government Grants		
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
Total Non Ringfenced Government Grants	7,227	6,344
Capital Grants & Contributions:-		
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
Total Capital Grants & Contributions	2,463	8,011
Total Grants and Contributions Credited to Services		
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
Total Grant and Contributions Credited to Services	21,206	20,734
Total Government Grants and Third Party Contributions	30,895	35,088

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.

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
Credited to Services			
36	Reopening of the High Streets (ERDF funding)	85	
629	Council Tax Hardship Fund	0	
	Community Outbreak Management Fund	2	
	665		87
Credited to Taxation and Non Specific Grant Income			
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
	6,512 Total Included in Comprehensive Income and Expenditure Statement		5,375
Acting as agent on behalf of Government			
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
Grant income received but not yet recognised (held as Government creditor)			
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
Grant income to be returned to Government (held as Government creditor)			
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
Grant income recognised but not yet received (held as Government debtor)			
-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
	47,404 Total grant income received		13,559

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
Income		
-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
-22,922	Total income	-23,255
Expenditure		
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
16,226	Total expenditure	18,236
-6,696	Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement	-5,018
321	HRA share of corporate and democratic core	345
-6,375	Net cost of HRA services	-4,674
HRA share of operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:		
-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
-3,763	Surplus (-) / deficit for the year on HRA services	-2,865

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

Movement on the Housing Revenue Account Statement

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

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
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
1,839 Net additional amount required to be credited (-) or debited to the HRA balance for the year	1,797

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
4,991	-10	-1	-	12	4,992	Total Housing Stock	4,992	-10	-	-2	18	4,998

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
Operational assets							
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
Non-operational assets							
Asset held for sale	-			82		92	174
Total Net Fixed Assets	283,075	14,817	-1,129	21,245	-6,065	446	312,389

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.

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	2021/22
£000	£000
-4,520 Balance at 1 April	-5,965
-5,887 Transferred in	-6,681
4,442 Financing of Capital expenditure	8,090
- Contribution towards repayment of debt	-
-5,965 Balance at 31 March	-4,556

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	Spend 2021/22	Financing 2021/22			
	Capital receipts	Capital grants	Borrowing	Revenue funding			Capital receipts	Capital grants	Borrowing	Revenue funding
					<i>Figures in £000s</i>					
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
7,171	1,351	218	761	4,841	Total capital expenditure	14,817	2,137	566	3,868	8,246

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

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.

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

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 (£0.024m in 2020/21).

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).

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

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				notes	2021/22		
Business rates £000	Council tax £000	Total £000			Business rates £000	Council tax £000	Total £000
-	-85,274	-85,274	Income		-	-90,744	-90,744
-19,965		-19,965	Council tax receivable	16			
			Net rates payable by ratepayers	18	-25,187		-25,187
			Expenditure				
			Apportionment of previous year surplus / deficit (-)				
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
			Precepts / shares				
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
			Charges to collection fund				
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
13,463	1,035	14,498	Surplus (-) / deficit for the year		-4,903	-421	-5,324
-849	65	-1,122	Balance at 1 April		12,614	1,100	13,713
12,614	1,100	13,376	Balance at 31 March		7,711	679	8,389

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

Notes to the Collection Fund

14. General

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

15. Council Tax Base

The Council's tax base of 45,573.57 (2020/21 45,045.38) 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:

Council Tax Base			
Band	Estimated number of properties after effect of discounts	Ratio	Band D equivalent dwellings
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
	45,854.09		46,033.88
Less: Adjustment for collection rate (1%)			-460.31
Council Tax Base			45,573.57

16. Council Tax Income

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

Income from Council Tax		
	2020/21	2021/22
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
	£000	£000
Total property income	-86,010	-90,825
Add: Transitional relief	1	1
Add: Other adjustments	735	80
Income from Council Tax	-85,274	-90,744

17. Council Tax Rates

Council Tax Rates by Precepting Body and Band									
Precepting body	Band								
	disr A	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£	£
District council	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
Total	1,107.18	1,328.62	1,550.06	1,771.49	1,992.93	2,435.80	2,878.68	3,321.55	3,985.86

(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.

Net Rates Payable by Ratepayers

	£000	£000
	2020/21	2021/22
Gross rates payable by ratepayers	39,872	39,322
<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
Total cost of reliefs	-19,907	-14,135
Net Rates Payable by Ratepayers	19,965	25,187

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
	6,280	9,310
<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
Net income from business rates	3,945	4,249
<i>Add:</i> Gloucestershire BR pool surplus / deficit (-)	386	399
Net income from business rates	4,330	4,648

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:

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

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).

Independent Auditor's Report

Keep free for opinion

Keep free for opinion

Keep free for opinion

Keep free for opinion

Glossary

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

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

	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	An estimate of income and expenditure in a financial year.
Gloucestershire Business Rates Pool (GBRP)	Set up to maximise business rates income retained within the county. Currently, Gloucestershire County, Cheltenham Borough, Cotswold District, Forest of Dean District, Gloucester City and Stroud District councils.
General Fund	The account that records and finances Council <i>revenue</i> expenditure, other than <i>HRA</i> .
Housing Revenue Account (HRA)	A separate statutory account dealing with the <i>revenue</i> income and expenditure arising from the provision of Council-owned and managed dwellings.
IAS 19	International Accounting Standard 19 <i>Employee Benefits</i> is the accounting requirement as regards pensions that local authorities

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

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> .

Feedback form – your views

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

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

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

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

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

You can give your name and address if you wish.

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

Do you think it is informative? Yes ☐ No ☐

How could we improve the Statement of Accounts?

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

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Your name

Your address.....

.....

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

Thank you

STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

TUESDAY, 29 NOVEMBER 2022

Report Title	Half Year Treasury Management Report 2022/23			
Purpose of Report	To provide an update on Treasury Management activity as at 30/09/2022			
Decision(s)	The Audit and Standards Committee RESOLVES to accept the Treasury Management half year report			
Consultation and Feedback	Link Asset Services (LAS)			
Report Author	Graham Bailey, Principal Accountant Tel: 01453 754133 Email: graham.bailey@stroud.gov.uk			
Options	None			
Background Papers	None			
Appendices	Appendix A – Prudential Indicators as at 30 September 2022 Appendix B – Explanation of the Prudential Indicators Appendix C – Economic Update			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1. BACKGROUND

- 1.1 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.’
- 1.2 This report is presented to the Audit and Standards Committee to provide an overview of the investment activity and performance for the first half of the financial year, and to report on prudential indicators and compliance with treasury limits.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the revised Code in November 2011, originally adopted by this Council on 21 January 2010. This half year report has been prepared in compliance with CIPFA’s Code of Practice, and covers the following:
 - A review of the Treasury Management Strategy Statement (TMSS) and Investment Strategy
 - A review of the Council’s investment portfolio for 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

2. TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY UPDATE

- 2.1 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
 2. Liquidity
 3. Yield
 4. Environmental, Social and Governance (ESG)
- 2.2 In 2022-23 the Council will continue to invest in the specified investment category for the longest permitted duration with quality counterparties to maximise return without compromising security, or liquidity. In cases where two investments of similar credit rating would generate the same return the Council will select the investment with the best ESG rating. The Section 151 Officer may 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. Whilst interest rates are rising it is good housekeeping to have regular maturities to reinvest at higher rates.
- 2.3 In February 2022 the Strategy set out an interest rate forecast reaching 1.25% by March 2025. Rates in November 2022 have climbed to 3% and are expected to rise higher in an effort to bring inflation under control.
- 2.4 The composition of the Council's investment portfolio at 30 September 2022 is shown in Table 4 of this report. Investments and borrowing during the year have been in line with the strategy.
- 2.5 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.

3. INVESTMENT PORTFOLIO

- 3.1 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 Council will also consider the ESG rating of a financial institution as a fourth local consideration. The investment portfolio yield for the first half year is shown in Table 1 below:

TABLE 1: Investment Performance Quarters 1 and 2 2022/23

	Period	Investment Interest Earned £	Average Investment £m	Rate of Return
Internally Managed Specified		111,045	56,503	0.788%
Property Fund / Multi-Asset Fund	01/04/2022 - 30/06/2022	74,900	10,000	3.004%
Total Quarter 1		185,945	66,503	1.121%
Internally Managed Specified		243,109	61,142	1.552%
Property Fund / Multi-Asset Fund	01/07/2022 - 30/09/2022	70,730	10,000	2.83%
Total Quarter 2		313,839	71,142	1.750%
HALF YEAR TOTAL	01/04/2022 - 30/09/2022	499,784	68,837	1.448%

3.2 Performance of the Property Fund and Multi-Asset Funds is shown in Table 2.

TABLE 2: Property and Multi-Asset Fund Performance Quarters 1 and 2 2022/23

Fund	Initial Investment £m	Value as at 30/06/22 £m	Return Apr - Jun 2022	Value as at 30/09/22 £m	Return Apr - Sep 2022
Lothbury	4.000	4.542	3.09%	4.324	1.46%
Hermes	2.000	2.388	3.28%	2.254	1.62%
TOTAL PROPERTY FUNDS	6.000	6.930	3.15%	6.578	3.01%
Royal London	3.000	2.706	2.48%	2.482	1.31%
CCLA	1.000	0.988	3.70%	0.966	1.58%
TOTAL MULTI-ASSET FUNDS	4.000	3.694	2.78%	3.448	2.74%
TOTAL FUND INVESTMENTS	10.000	10.624	3.004%	10.026	2.90%

3.3 Comparative returns quarter by quarter are set out in Table 3 below.

TABLE 3: Comparative Quarterly Returns

Quarter	Specified Investments % return	Fund Investments % return	Overall % Return
Q1 21/22	0.181%	2.880%	0.570%
Q2 21/22	0.182%	2.940%	0.570%
Q3 21/22	0.187%	2.800%	0.550%
Q4 21/22	0.223%	2.790%	0.690%
Q1 22/23	0.788%	3.004%	1.121%
Q2 22/23	1.552%	2.900%	1.448%

- 3.4 The approved limits as set out in the Treasury Management Strategy report to Council 17 February 2022 within the Annual Investment Strategy were not breached during the first 6 months of 2022/23.
- 3.5 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). At 30 September the Council has invested £10m into Property and Multi-Asset Funds with the objective of longer term investments helping to improve the overall rate of return.
- 3.6 Table 4 below shows the investments and borrowing position at the end of September 2022.

TABLE 4: Investment and Borrowing at the end of Quarters 1 and 2 2022/23

	Jun 2022 £'000	Sep 2022 £'000
Aberdeen	3,045	566
Federated Prime Rate	3,950	2,421
Goldman Sachs	3,927	1
Money Market Funds Total	10,922	2,988
Lloyds	2,000	7,000
Lloyds Banking Group Total	2,000	7,000
NatWest	3,460	5,000
Royal Bank of Scotland	3,000	0
RBS Banking Group Total	6,460	5,000
Standard Chartered	3,700	8,000
Santander	7,999	7,999
Barclays Bank Plc	7,793	7,800
Svenska Handelsbanken	14	14
National Bank of Canada	3,000	3,000
Debt Management Office	4,000	3,000
Toronto Dominion	5,000	5,000
Bayerische Landesbank	3,000	2,000
Landesbank Hessen Thuringen		2,000
Progressive Building Society		1,000
Goldman Sachs International		2,000
Other Banks/Building Society Total	34,506	41,813
Thurrock District Council	1,000	0
Local Authority Total	1,000	0
TOTAL INVESTMENTS	£54,888	£56,801
Lothbury	4,000	4,000
Hermes	2,000	2,000
TOTAL PROPERTY FUNDS	£6,000	£6,000
RLAM	3,000	3,000
CCLA	1,000	1,000
TOTAL MULTI ASSET FUNDS	£4,000	£4,000
PWLB	102,717	102,717
TOTAL BORROWING	£102,717	£102,717

4. EXTERNAL BORROWING

- 3.7 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 external PWLB borrowing of £102.717m as of 30 September 2022.

5. COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

- 3.8 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.
- 3.9 During the period to 30 September 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.

6. OTHER TREASURY ISSUES

- 3.10 An ESG rating report covering quarter 1 was received and Bob Swarup of Camdor Global Advisors presented to and took questions from council Members before the September Audit & Standards Committee.

4. IMPLICATIONS

4.1 Financial Implications

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

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

4.2 Legal Implications

None directly arising from this report.

One Legal
Tel: 01684 2722203 Email: legal.service@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.

Prudential Indicators as at September 2022

Prudential Indicator	2022/23 Indicator £'000	Actual as at 30 June 2022 £'000	Actual as at 30 Sept 2022 £'000
Capital Financing Requirement (CFR)	130,644	124,036	126,534
Gross Borrowing	102,717	102,717	102,717
Authorised Limit for external debt	147,000	102,717	102,717
Operational Boundary for external debt	142,000	102,717	102,717
Principal sums invested > 365 days	15,000	10,000	10,000
Maturity structure of borrowing limits			
Under 12 months	25%	2%	2%
12 months to 2 years	50%	0%	0%
2 years to 5 years	75%	0%	0%
5 years to 10 years	100%	6%	6%
10 years and above	100%	92%	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 September 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 £130.644m provides the Council with the opportunity to borrow if appropriate. £11m of borrowing is planned for 2022/23 arising from the approved capital programme, together with £1m 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 September 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 September 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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Economics update

- The second quarter of 2022/23 saw:
 - GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;
 - Signs of economic activity losing momentum as production fell due to rising energy prices;
 - CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
 - The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
 - Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
 - Gilt yields surge and sterling fall following the “fiscal event” of the new Prime Minister and Chancellor on 23rd September.
- The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.
- There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.
- The fall in the composite PMI from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households’ bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.
- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.

Appendix C

- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below \$90pb, we would expect to see fuel prices fall further in the coming months.
- However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.
- Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.
- During H1 2022, there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the "fiscal event" adds up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April's national insurance tax on 6th November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.
- Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of \$1.035 on the Monday following the government's "fiscal event", it has since recovered to around \$1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3rd November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23rd November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.
- The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 50 basis points hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.

- Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.
- Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31st October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14th October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.
- Since the Bank's announcement on 28th September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.
- There is a possibility that the Bank continues with QE at the long-end beyond 14th October or it decides to delay quantitative tightening beyond 31st October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.
- After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

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STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

29 NOVEMBER 2022

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

1.0 INTRODUCTION

- 1.1 Members agreed the Stroud District Council [Internal Audit Plan 2022-23](#) on 26th 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.

2.0 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 October 2022; and
 - iii. Special investigations and counter fraud activity.
- 2.2 This is the second report in relation to the Internal Audit Plan 2022-23.

3.0 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](#).

4.0 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

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

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

NOVEMBER 2022

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 October 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 October 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: Demonstrator Grant - Social Housing Decarbonisation Fund (Service Area: Communities)**

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

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

- 2.3 **Scope** – The Council received a grant of £426k from the Department for Business, Energy and Industrial Strategy (BEIS). The funding was used to retro fit 28 social housing properties on a single sheltered housing scheme, leading to decarbonisation of the units. The aim of the audit was to provide assurance that, in all significant respects, the conditions of the relevant Grant Determination had been complied with.

2.4 **Key Findings**

- i. Review of the project's processes and documentation has provided acceptable assurance that use of the grant is in compliance with the BEIS Grant Determination;
- ii. Retro fit installation costs were compiled from application claims submitted by the main contractor. Audit review of a sample of applications confirmed that robust vetting and monitoring controls were in place, and operating correctly;
- iii. The memorandum of understanding between the Council and BEIS details the expected monthly reporting for the Demonstrator project progress. Testing of the reporting process confirmed that a comprehensive, detailed monthly update was provided by the prescribed deadlines;
- iv. Review of the Housing Services operational risks in the Council's Performance and Risk Management system (Excelsis) identified that the Demonstrator project had not been included. As the Demonstrator project has now been substantially completed, there would be no added value in completing the risk process;
- v. The Council have been awarded new Decarbonisation 'Wave One' grant funding by BEIS totalling £3.4m and the project is at its early stage. The Wave One project's risk recognition process should be completed and appropriately documented in the Excelsis system;

Risk: Inherent and residual operational business risks for the grant award are not recognised, documented or being managed;

Recommendation: An operational risk assessment for the Decarbonisation Wave One project should be completed. The Council's Risk Management Policy Statement and Strategy should be used as guidance, to ensure the Wave One operational risk is documented in the Excelsis register. Target date: November 2022.

Appendix A

- vi. Enquiries were made regards project reporting to senior staff. It was established there was a gap in providing a written summarised report of the project's significant progress. A progress report would provide the opportunity to communicate how the first line of defence management controls are operating. As the Demonstrator project has now been successfully completed a recommendation for the Decarbonisation Wave One project has been made;

Risk: Lack of management oversight leading to unsuccessful implementation of the project;

Recommendation: The format, content and frequency of progress reporting for the Wave One project should be agreed with the Interim Housing Manager and the Director of Communities. Target date: November 2022.

- vii. Evidence of project reporting to the Housing Committee was checked to agenda reports and meeting minutes. Review of these two sources found that the Demonstrator retro fit project had been correctly reported on;
- viii. The management arrangements for the post programme evaluation process were checked to guidance issued by BEIS. A complete set of documentation had been reported to BEIS by the 15th July 2022 reporting deadline;
- ix. Each of the project's 28 properties had previously been subject to Standard Assessment Procedures (SAP), which is a methodology set by BEIS. The SAP calculation results in an Energy Performance Certificate (EPC) for a property. A post programme evaluation procedure is in place for the 28 properties to have an updated assessment for the SAP EPC, following the retro fit project.

2.5 Audit Activity: Planning Enforcement Consultancy - Interim Update (Service Area: Place)

- i. Assurance level for this report: An assurance level is not required for this activity; and
- ii. No formal recommendations arose from the interim update. Improvement observations fed back to management have been captured within the Key Findings section.

2.6 Scope – Goal three of the service's Business Improvement Plan is to "Review and update back-office set-up and upgrade IT software infrastructure, including improving data." Included within goal three, is the introduction of the Enterprise software, to facilitate a performance framework and improved case management complaint monitoring.

2.7 The consultancy review was to provide input during the development stage of the Enterprise system.

2.8 Key Findings

- i. The number of new Planning Enforcement complaints for the calendar year to 30th September 2022 totals 361; and the number of open complaints cases as at 30th September 2022 total 261;

- ii. The introduction of Enterprise software for the complete Planning Enforcement process is at the test system stage. Currently, the Enterprise system workflow from receipt of a new complaint through to allocation to an Enforcement Officer is in live mode. The subsequent procedures and controls are completed using the:
 - Draft Planning Enforcement operational protocol; and
 - Uniform management system;
- iii. The outline plan is to continue with the trialling of the test system from the investigation stage to complaint closure during November to December 2022. If the testing is successful, the aspiration is for full introduction of the Enterprise software early in 2023;
- iv. Configuration of the overarching Enterprise system control environment requires various set-up pages to be completed, with the objective of being consistent with the Planning Enforcement process. Evidence seen by Internal Audit confirmed that the relevant data fields had been correctly completed;
- v. Draft system guidance notes with example Enterprise screen pages have been created. Internal Audit review of these documents found they will be a useful and effective aid to staff;
- vi. Internal Audit used the Enterprise system guidance notes and screen pages, with the objective of tracing a complaint in the test system through to closure. The results confirmed that the case had correctly followed the guidance, and staff had appropriately followed the draft Planning Enforcement operational protocol;
- vii. A traffic light prioritisation process will be recorded in the Enterprise system, which will facilitate effective handling of complaint cases;
- viii. Internal Audit made an enquiry on the Enterprise system to establish the current activity levels for new complaints. When complaints are received, an initial triage assessment takes place. The enquiry established there were six complaints at the triage stage being assessed by Enforcement Officers. None of these had been in the workflow process for more than ten days;
- ix. The next stage in the process is to allocate complaints for an initial investigation. Internal Audit confirmed that there were three available cases waiting for allocation. On inspection, the oldest case waiting workflow allocation was seven working days old. The evidence indicates that there is no material bottleneck of new cases at the triage and allocation stage;
- x. The Idox supporting system acts as the library for keeping key primary documents during the complaint process. On inspection of the documentation type facility, this indicated that an improvement could be made to benefit enquiry; tracing; and classification. The service have considered this option and confirmed it will not be actioned, as it will complicate the future deletion process;
- xi. The draft Enterprise task test system procedures were reviewed to consider any process improvements opportunities. Complaints which could lead to potential irreversible harm require a priority site visit within two days. Internal Audit suggested having a contingency measure in place if IT access to Enterprise is not possible. The suggested measure would be to create an automated e-mail

Appendix A

addressed to the allocated Enforcement Officer, with complaint details and requesting the priority site visit. The suggestion will be researched by Planning Enforcement staff;

- xii. The format of the current reporting for Planning Enforcement data using Structured Query Language (SQL) was reviewed with the objective of identifying any quick wins. There is an Enforcement Workload Register available by the allocated member of Planning Enforcement staff. On enquiry, there was no control parameter to total the number of open cases a member of staff is handling. The report control parameter would be of benefit to the Senior Enforcement Officer, when they are considering allocation of existing or new complaints to staff. This point has been taken forward by Planning Enforcement staff;
- xiii. Internal Audit will continue to support the Planning Enforcement team with consultancy and testing of the Enterprise system during the period up to successful implementation. A subsequent report will be presented to the Audit and Standards Committee when Internal Audit have concluded their work.

2.9 **Audit Activity: Covid 19 Business Grants – Post Payment Assurance Tranche 1 (Service Area: Resources)**

- i. Assurance Level for this report: An assurance level will be confirmed on conclusion of the overall review, following Tranche 2 testing completion within Quarter 4 2022-23.
- ii. Recommendations arising from this review have been prioritised as:

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

2.10 **Scope** - This audit forms the first half of a data analytics led Post Payment Assurance review of Covid 19 grants administered by Stroud District Council in 2021-22. It examines three discrete grants: Restart Grant, Additional Restrictions Grant (ARG) and Omicron Grant.

2.11 **Key Findings**

- i. Checks undertaken by the Council to both identify and resolve any incorrect, incomplete, or suspicious grant applications were completed to an appropriate standard by the Revenue and Benefits team. However, the instruction from central Government at the time was to prioritise disbursing grant awards over running enhanced due diligence on the applications. As such, the Council did not identify all potential issues;
- ii. Data analysis produced more than 100 results which were reviewed by Internal Audit using a range of techniques — including the specialist tracing and network analysis tool GBG Investigate. Results were assessed and referred to the Revenue and Benefits Manager as either Major Queries, Minor Queries or No Query;

iii. Key results are summarised below:

- Major query: Two linked companies which were subject to strike off action at Companies House at the time their Omicron grants had been applied for and paid. In each case the strike off action was discontinued and the companies are still trading to date which, on this occasion, mitigates the fraud risk. However, these grants were paid to 'inactive' companies contrary to government guidance, which represents a control failure;
- Major query: One mechanic received £2,000 under the ARG award despite operating within a 'key industry' and thus not being subject to additional restrictions. There were no other instances of mechanics being paid this grant; and
- Minor query: Two companies were paid an Omicron grant despite open-source data suggesting they may be ineligible under the definitions of 'leisure and hospitality'. One company appears to run residential property as opposed to short term or holiday lets. The other company provides leases for retail premises. It does not itself directly provide the 'leisure' aspect of the grant and its lease income may have remained unaffected by Covid 19.

iv. The Tranche 1 detailed testing results and observations have been reported to the Revenues and Benefits Manager;

Risk: Potential ineligible payments creating financial losses;

Recommendation: The Revenue and Benefits Manager should review all referred 'Major Query' and 'Minor Query' results to establish whether the Council should seek to recover monies paid.

Appendix A

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 sessions which have received very favourable comments from officers;
 - iii. Update of the Council's counter fraud and associated information available on both 'The Hub' (Council intranet) and the main website; and
 - iv. International Fraud Awareness Week.

Previous years' referrals closed case

- 3.3 The CFT continue to work on the remaining one Covid 19 Grant related case. The outcomes will be reported to the Audit and Standards Committee on the case's conclusion.

National Fraud Initiative (NFI)

- 3.4 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 7th October 2022. It is anticipated that the data matching reports will be released for review from January 2023 onwards.
- 3.5 The full NFI timetable can be found using the link available on GOV.UK – www.gov.uk/government/publications/national-fraud-initiative-timetables
- 3.6 Examples of data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market traders or operators, taxi drivers and personal licences to supply alcohol.
- 3.7 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.
- 3.8 In addition, ARA has been advised that the services of the Counter Fraud and Enforcement Unit (CFEU) have been employed to undertake some of the match reviews on behalf of the Council. The CFEU findings will be separately reported to the Audit and Standards Committee.

National Anti-Fraud Network (NAFN)

- 3.9 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.

- 3.10 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.
- 3.11 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)

- 3.12 This year as in previous years, Stroud District Council is signed up as a supporter of IFAW.
- 3.13 The week ran from 13th to 19th November 2022. 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.
- 3.14 The ARA CFT provided IFAW materials to the Council's communications team and other targeted services. In addition, the CFT promoted:
 - i. The new counter fraud pages on 'The Hub'; and
 - ii. The offer of a procurement fraud training package.



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

Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Report	Comments
Completion of 2021-22 Work									
1		1	Communities	Anti-social Behaviour Management	Assurance	High	Final Report Issued	Final Report Issued	Delivered across 2021-22 year end. Reported to July 2022 Committee.
2		1 and 2	Communities	Electrical Works Contract – Follow-Up	Assurance	High	Final Report Issued	Final Report Issued	Carry forward from 2021-22. Reported to September 2022 Committee.
3		1	Resources	Brimscombe Port – Annual Report	Assurance	Medium	Final Report Issued	Final Report Issued	Delivered across 2021-22 year end. Reported to July 2022 Committee.
4		1	Resources	Change Management Process	Assurance	High	Final Report Issued	Final Report Issued	Delivered across 2021-22 year end. Reported to July 2022 Committee.
5		1	Resources	Creditors – Follow-Up	Assurance	High	Final Report Issued	Final Report Issued	Delivered across 2021-22 year end. Reported to July 2022 Committee.
6		1	Resources	Green Homes Grant Local Authority Delivery Scheme - Phase 1b	Assurance	High	Final Report Issued	Final Report Issued	Delivered across 2021-22 year end. Reported to July 2022 Committee.
7		1 and 2	Resources	ICT Compliance with Government Standards	Assurance	High	Final Report Issued	Final Report Issued	Carry forward from 2021-22. Reported to September 2022 Committee.
8		1 and 2	Resources	ICT Incident Management Process	Assurance	High	Final Report Issued	Final Report Issued	Carry forward from 2021-22. Reported to September 2022 Committee.
9		1	Exempt	Exempt	Assurance	High	Final Report Issued	Final Report Issued	Delivered across 2021-22 year end. Reported to July 2022 Committee.
Work Planned for Quarter 1 2022-23									
10	1	1 to 3	Communities	Leisure Facilities – Stratford Park	Assurance	High	Field Work Started	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	Final Report Issued	Draft Report Issued	Deferred from 2021-22 Plan.
12	1	3	Place	Canal Restoration Project – Risk Management	Assurance	High	Planned	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	Final Report Issued	Reported to September 2022 Committee.
14	1	2	Place	Planning Enforcement	Consultancy	Consultancy	Final Report Issued	Planned	Interim position reported to November 2022 Committee. Further ARA consultancy input requested for later in 2022-23.
15	1	1	Place	Planning Enforcement – Complaints Data Analysis	Assurance	High	Final Report Issued	Final Report Issued	Information Sheet released to Committee in July 2022.
16	1	1 and 2	Place	Innovate to Renovate – Claim 1	Assurance	Medium	Draft Report Issued	Field Work Started	Deferred from 2021-22 Plan. Claim 1 and Claim 2 outcomes consolidated into one draft report.
17	NEW	1 and 2	Resources	Contain Outbreak Management Fund (COMF) - Grant Certification	Assurance	High	Final Report Issued	Final Report Issued	New activity. Reported to September 2022 Committee.
18	1	1 and 2	Resources	Covid 19 Business Grants – Post Payment Assurance	Assurance	High	Final Report Issued	Field Work Started	Activity split into two tranches. This is tranche 1.
19	1	3	Resources	IT Applications Management	Assurance	High	Planned	Planned	Scoping meeting completed in September 2022. Audit to start in quarter 3.
20	1	3	Resources	IT Cyber Security	Assurance	High	Planned	Planned	Scoping meeting completed in September 2022. Audit to start in quarter 3.
21	1	1 to 3	Resources	IT Disaster Recovery – Follow-Up	Assurance	High	Field Work Started	Field Work Started	Deferred from 2021-22 Plan.
22	NEW	1	Resources	Test and Trace Support Payment Scheme – Grant Certification	Assurance	High	Final Report Issued	Final Report Issued	New activity. Reported to September 2022 Committee.
Work Planned for Quarter 2 2022-23									
23	2	2 and 3	Communities	Cleaner Estates Strategy (Refuse)	Assurance	High	Field Work Started	Planned	Deferred from 2021-22 Plan.

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

Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Report	Comments
24	2	3	Communities	Housing Management System – Project Management	Assurance	High	Planned	Planned	Quarter 3 delivery request from service management agreed.
25	2	3	Communities	Housing Revenue Account (HRA) Delivery Plan	Assurance	High	Planned	Planned	Quarter 3 delivery agreed.
26	2	2 and 3	Communities	Leisure Facilities – The Pulse	Assurance	High	Field Work Started	Field Work Started	Leisure facilities activity split into two tranches - Stratford Park (Quarter 1) and The Pulse (Quarter 2).
27	2	2 and 3	Communities	Out of Hours Emergencies – Follow-Up	Assurance	High	Field Work Started	Planned	
28	2	3	Communities	Safeguarding	Assurance	High	Planned	Planned	Planning initiated within Quarter 2. Audit delivery to occur from Quarter 3.
29	2	3	Communities	Social Housing Decarbonisation Fund (Wave 1)	Assurance	High	Planned	Planned	Audit start held pending outcomes from the Demonstrator grant. Quarter 3 delivery planned.
30	2	2	Place	Innovate to Renovate – Claim 2	Assurance	Medium	Draft Report Issued	Field Work Started	Claim 1 and Claim 2 outcomes consolidated into one draft report.
31	2	3	Place	ISO 14001 – Environmental Management System	Consultancy	Consultancy	Planned	Planned	Quarter 3 delivery agreed.
32	2	3	Resources	IT Procurement	Consultancy	Consultancy	Planned	Planned	Quarter 3 delivery agreed.
33	2	3	Resources	Member Expenses	Assurance	Medium	Planned	Planned	Quarter 3 delivery agreed.
34	2	3	Resources	Risk Management	Consultancy	Consultancy	Planned	Planned	Quarter 3 delivery agreed.
Work Planned for Quarter 3 2022-23									
35	3		Council Wide	Business Continuity	Assurance	High	Planned	Planned	Strategic lead change has occurred. Audit deferral request has been received. Timing to be confirmed.
36	3		Council Wide	Contract Management Framework	Assurance	High	Planned	Planned	
37	3		Council Wide	Emergency Planning	Assurance	High	Planned	Planned	Strategic lead change has occurred. Audit deferral request has been received. Timing to be confirmed.
38	3		Council Wide	Fit for the Future Programme	Assurance	High	Planned	Planned	Deferred from 2021-22 Plan.
39	3		Communities	Homelessness Prevention	Assurance	Medium	Planned	Planned	
40	3		Communities	Section 20 Leaseholder Service Charges	Assurance	High	Planned	Planned	
41	3		Place	Brimscombe Port	Assurance	High	Planned	Planned	
42	3		Place	Health and Safety Audits	Assurance	Medium	Planned	Planned	Potential for audit deferral due to agreed new high priority activities within the Plan.
43	3		Resources	Cash and Bank	Assurance	High	Planned	Planned	
44	3		Resources	Insurance	Assurance	High	Planned	Planned	
45	3		Resources	Government Procurement Cards	Assurance	Medium	Planned	Planned	Potential for audit deferral due to agreed new high priority activities within the Plan.
46	3		Resources	Payroll and Pension Administration	Assurance	High	Planned	Planned	
Work Planned for Quarter 4 2022-23									
47	4		Communities	Housing Voids – Follow-Up	Assurance	High	Planned	Planned	
48	4		Place	Planning Enforcement – Follow-Up	Assurance	High	Planned	Planned	
49	4		Place	Sustainable Warmth Grant (Home Upgrade Grant Phase 1)	Assurance	High	Planned	Planned	
50	4		Place	Sustainable Warmth Grant (Local Authority Delivery Scheme Phase 3)	Assurance	High	Planned	Planned	
51	4		Resources	Council Tax – Opening Debits	Assurance	High	Planned	Planned	Deferred from 2021-22 Plan.
52	4		Resources	Covid 19 Business Grants – Post Payment Assurance	Assurance	High	Planned	Planned	Activity split into two tranches. This is tranche 2.
53	4		Resources	Election Payments	Assurance	High	Planned	Planned	
54	4		Resources	National Non-Domestic Rates (NNDR) – Opening Debits	Assurance	High	Planned	Planned	
55	NEW		Resources	Right To Buy	Assurance	High	Planned	Planned	New activity.

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Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Report	Comments
56	4		Resources	Risk Management Follow-Up	Assurance	High	Planned	Planned	
57	4		Resources	Treasury Management and Ethical Investments Strategy	Assurance	High	Planned	Planned	
Work Planned for Throughout 2022-23									
58			Communities	Leisure Facilities – Local Authority Trading Company	Consultancy	Consultancy	Ongoing	Ongoing	
59			Counter Fraud	Counter Fraud	Assurance	High	Ongoing	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.

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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	Emergency planning and business continuity failures	Keith Gerrard	2	3	6	1. Council to identify priorities, and required resources, as part of the MTFP process	Andrew Cummings	3	21/02/2023
						2. Ensure ICT hardware and software maintained at appropriate levels	Sean Ditchburn		
						3. Individual service continuity plans fit for purpose and adhered to	Keith Gerrard		
						4. Workforce plan to secure expertise to avoid service failures	Lucy Powell		
						5. Ensure data backup system fit for purpose	Adrian Blick		
						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	1	2	2	1. Ensure service redesigns or other staffing changes takes account of financial impact of changed staffing levels on pension fund contributions	Andrew Cummings	2	30/11/2023
						2. Ensure MTFP accurately reflects contribution likely to be required based upon current funding levels and future projections	Andrew Cummings		
						3. Ensure Treasury Management decisions take account of investment benefits potentially available from ad hoc payments to pension fund	Andrew Cummings		
CCR9	Statutory changes to waste legislation could mandate waste collection alterations.	Mike Towson	3	2	6	1. Monitor and manage new garden waste customer requests to maximise revenue from the service.	Mike Towson	2	12/01/2023
						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	21/02/2023
						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 recycle processing.	Mike Towson	2	3	6	Effective management of the UBICO contract	Mike Towson	3	20/02/2023
						Keeping up to date with emerging legislative changes and good practice.	Mike Towson		
						MRF Contract - the value of recycles 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	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		

	structure or funding					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 wider benefits of working for SDC	Lucy Powell		
						Proactive measures to reduce energy consumption	Alison Fisk		
						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.	Andrew Cummings		
						Appropriate levels of increase on fees and charges as well as rents and Council Tax (within statutory limits) must also be incorporated.			
CCR93	Low of levels of staff wellbeing and mental health	Andrew Cummings	3	2	6	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.	Lucy Powell	1	31/03/2023
						Absence monitoring is used to track levels of mental health absences and corrective action taken where appropriate	Lucy Powell		
						An annual staff survey, supplemented by more regular wellbeing surveys, is used to understand the current priorities for staff and respond accordingly.	Lucy Powell		
						Creation and promotion of a set of Corporate Values and Behaviours to reflect the culture that we desire at SDC	Lucy Powell		
						Introduction of wellbeing champions to engage with staff across the Council to talk openly about wellbeing and working with HR, SLT and LMT to share thoughts and recommendations on staff wellbeing	Lucy Powell		
						Maintaining our workplace wellbeing award from Healthy Lifestyles Gloucestershire	Lucy Powell		
						Member development group to consider development need of Councillors	Jenna Malpass		
CCR95	Successful cyber-attack on the Council	Adrian Blick	3	3	9	1. Education of SDC network users	Adrian Blick	6	21/02/2023
						2. Protecting SDC from penetration	Adrian Blick		
						3. Reducing the extent of lateral movement across the SDC IT estate should a hack occur	Adrian Blick		
						4. Purchase cyber insurance to partially cover costs of any successful cyber breach	Adrian Blick		

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STROUD DISTRICT COUNCIL**AUDIT AND STANDARDS COMMITTEE****29 NOVEMBER 2022****WORK PROGRAMME**

Meeting Date	Report Description	Responsible Officer / Member
7 February 2023	Internal Audit Progress Report 2022/23 <ul style="list-style-type: none"> Update on Annual Governance Statement 	Chief Internal Auditor
	Contract management Framework Update	Senior Policy and Governance Officer
	Treasury Management Strategy	Principal Accountant
	Unified Code of Conduct	Monitoring Officer
	Treasury Management Q3 Report	Principal Accountant
	Standing Items: <ul style="list-style-type: none"> a. Corporate Risk Register Update b. To consider the work programme 	Strategic Director of Resources Democratic Services
18 April 2023	Internal Audit Progress Report 2022/23	Chief Internal Auditor
	Counter Fraud Unit Update and Annual RIPA/IPA Update	Head of Service, (CFEU)
	Chair's Report	Chair
	External Audit Arrangements	Strategic Director of Resources
	Standing Items: <ul style="list-style-type: none"> a. Corporate Risk Register Update b. To consider the work programme 	Strategic Director of Resources Democratic Services

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