

## Statement of Accounts 2020/21



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# Chief Financial Officer's Narrative Report

## Introduction

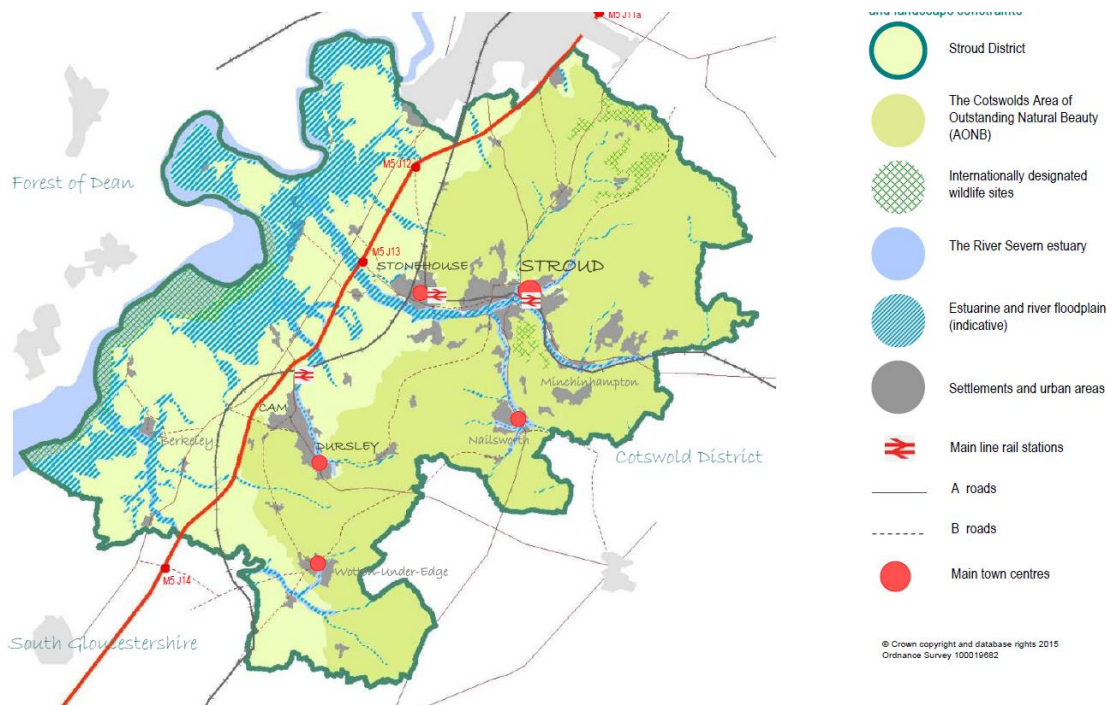
Welcome to the Narrative Report and Statement of Accounts for Stroud District Council. This narrative report sets the scene and tells the story of the District Council over the past year. Included within are details of the Council and the District, financial and non-financial performance for the past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

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

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

## About the District

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



- Stroud has a population of 120,903 (ONS Mid 2020) living in 51,476 households
- Stroud's population is expected to grow to 134,499 by 2040 (ONS Population Projections)
- The new draft local plan has set out a strategy for distributing an additional 12,600 homes by 2040

## Political Structure

The Council should consist of 51 elected members representing 28 wards across the District. Elections are normally held every four years. The election due in May 2020 was postponed for one year and then held in May 2021 (previous election May 2016).

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

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

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

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

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

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

## Senior Management

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

Monitoring Officer – Patrick Arran

Strategic Director of Place – Brendan Cleere

Strategic Director of Change and Transformation - Caron Starkey

Strategic Director of Communities – Keith Gerrard

Strategic Director of Resources – Andrew Cummings

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

## Our Vision and Priorities

Our vision as a Council is:

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

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

- **ECONOMY** - Help create a sustainable and vibrant economy that works for all.
- **AFFORDABLE HOUSING** - Provide affordable, energy-efficient homes for our diverse and changing population.
- **ENVIRONMENT** - Help the community minimise its carbon footprint, adapt to climate change and recycle more.
- **HEALTH AND WELLBEING** - Promote the health and wellbeing of our communities.
- **DELIVERY** – Provide value for money to our taxpayers and high quality services to our customers.

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

## Impact of Covid-19

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

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

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

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

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

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

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

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

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

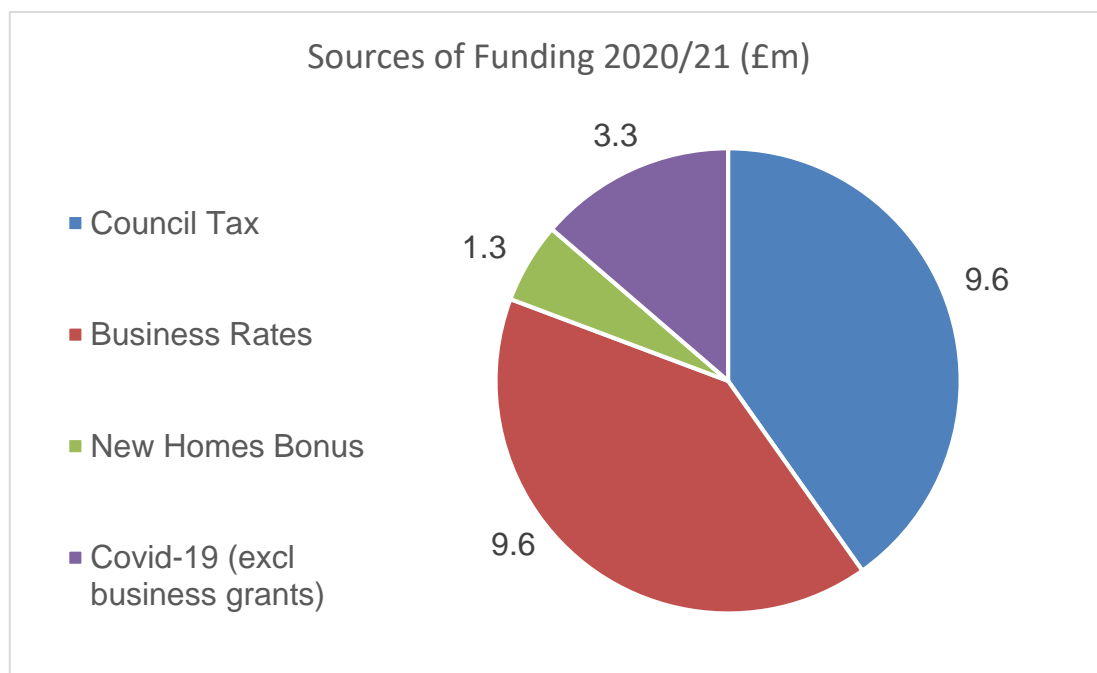
Combining the additional expenditure and loss of income gives an in-year Covid-19 impact of £4.115m. This would have been hugely damaging to an authority the size of Stroud, even with our stable financial position. However, central government support (see Note 40) to Local Authorities was considerable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

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

## In-Year Financial Performance

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

Funding was received in the following amounts:



The detailed outturn position is shown in the following table:

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

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

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

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

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

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



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

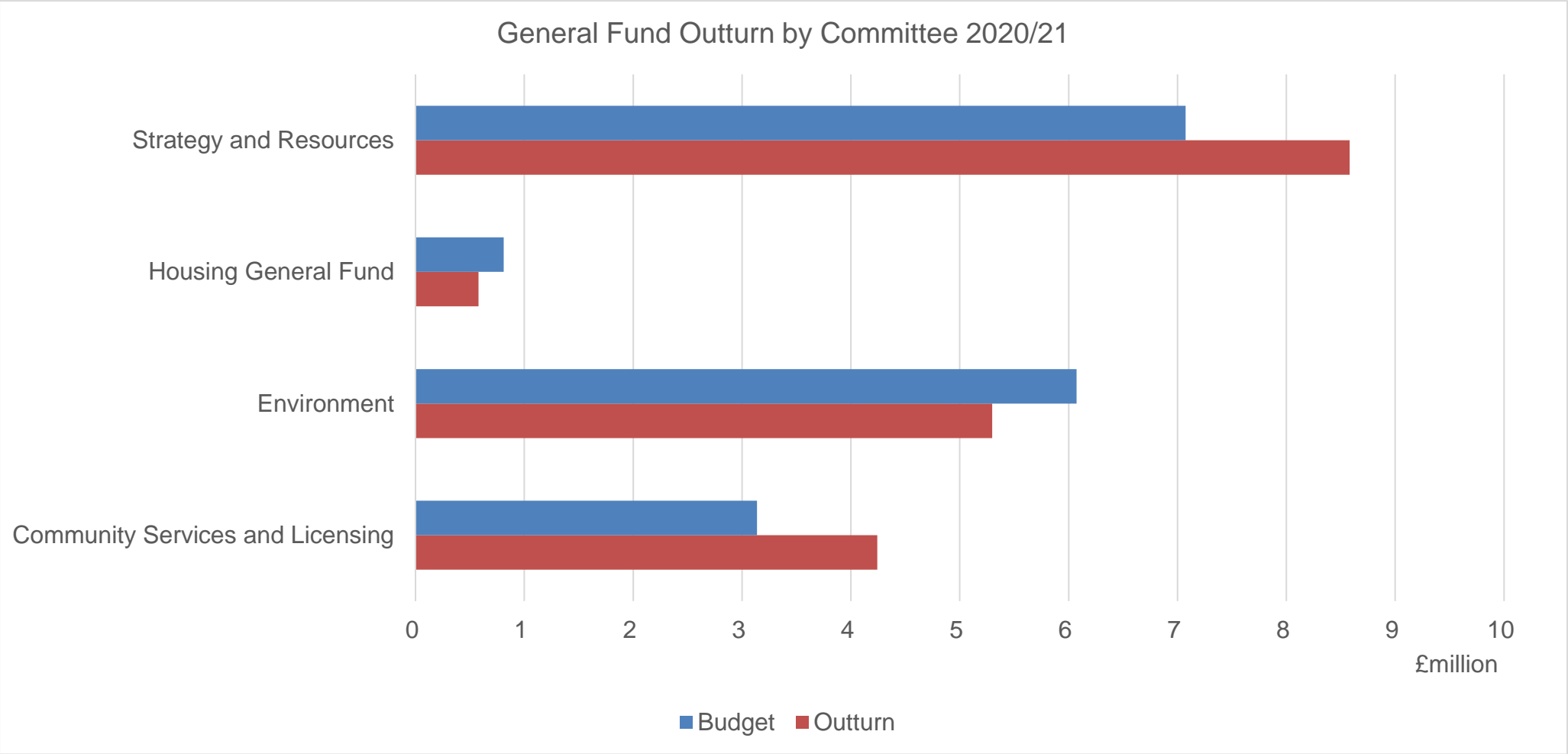
The collection fund smoothing reserve will be released in full to the General Fund over the next two years in line with the CIPFA treatment proposed. This will offset the impact of business rates reliefs and reduced Council Tax collection on the Collection Fund deficit position.

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

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

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

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



## Business Rates Pilot

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

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

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

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

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

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

## Housing Revenue Account

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

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

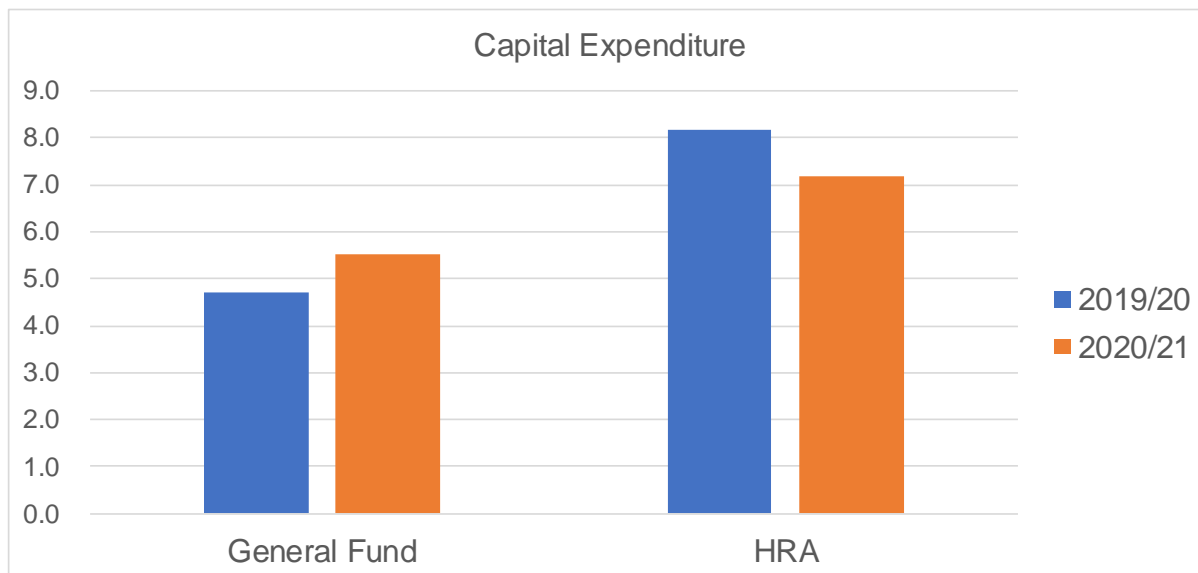
- £0.196m loss of income through rents and other charges due to Covid-19
- (£0.478m) salary underspends (including Property Care)
- (£0.176m) non salary savings across supervision and management
- £0.120m additional grounds maintenance costs

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

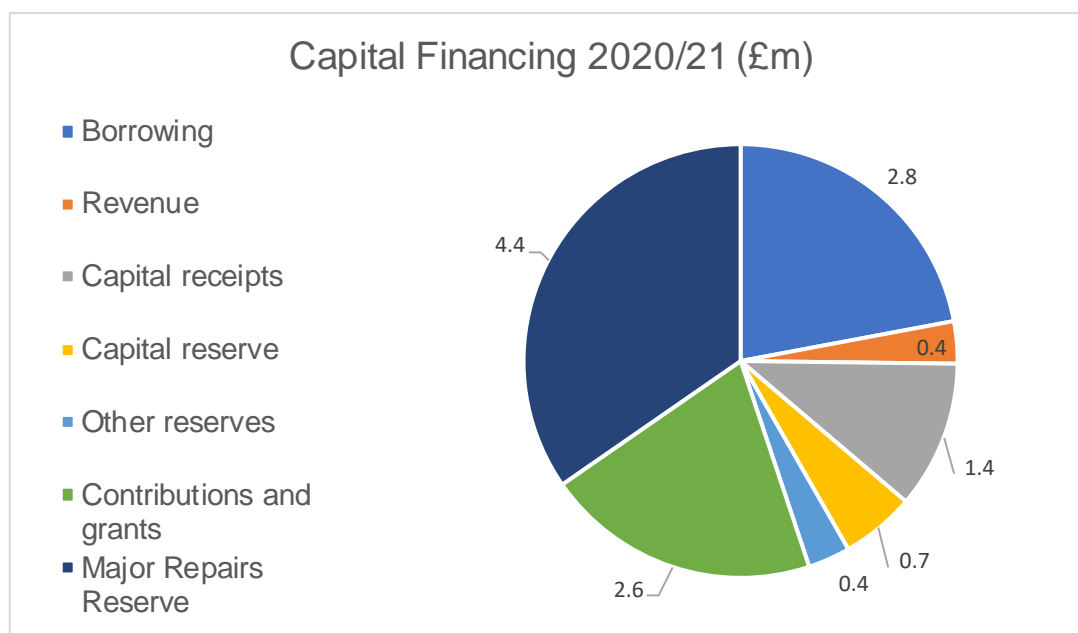
HRA Balances 2020/21	Opening balance £000	Net transfers to/(from) £000	Closing balance £000
General Reserves	4,430	181	4,611
Earmarked Reserves	3,925	1,743	5,668
Major Repairs Reserve	4,520	1,445	5,965
<b>Total balances</b>	<b>12,875</b>	<b>3,369</b>	<b>16,244</b>

## Capital Outturn

General Fund capital expenditure for 2020/21 was £5.513m (£4.719m in 2019/20). Major General Fund capital projects included the Canal Phase 1B (Stonehouse to Saul Junction) (£2.118m), ICT Investment Plan (£0.421m), Brimscombe Port Mill (£0.325m) and the Warm Homes Fund (£0.840m). HRA Capital spend was £7.171m (£8.169m in 2019/20). £4.436m of this relates to major works on dwellings, with £2.735m relating to expenditure on the New Build and Development programme.



The Capital Programme is financed through a number of different sources – capital receipts (mainly Right to Buy council house sales), external grants and contributions, General Fund capital reserve, other earmarked reserves and borrowing.



## Pension Fund performance

The balance sheet position of the Council's pension fund deficit has increased in 2020/21 by £12.058m to £51.205m (£39.147m 2019/20). The majority of this change is a result of changes in financial assessments made by the Pension Fund actuaries.

## Non-Financial Performance

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

The annual budget survey of residents has again shown high levels of satisfaction with Council services with the key highlights being shown below.

### LG Satisfaction Questions residents responded with:

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

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

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

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

Performance management forms a fundamental part of the Committee system, with each Committee having nominated performance management member champions who report to the Committees throughout the year on key performance objectives. In 2021/22 a full review of how the Council operates performance monitoring throughout the organisation is to be carried out.

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

## The Outlook for the Future

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

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

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

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

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

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

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

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

- Service Redesign

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

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

The Council has a risk management policy statement and strategy that identifies and evaluates risks. Risk management is incorporated into the Council's decision-making and processes in a consistent manner and risks are subject to regular review and updating. However, in order to ensure that our risk management processes remain in line with best practice our internal audit service will be carrying out a review in 2021 and identifying any areas for improvement.

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

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

## Summary of the Core Financial Statements

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

There are five core financial statements:

### **Expenditure and Funding Analysis (page 16)**

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

### **Comprehensive Income and Expenditure Statement (page 17)**

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

### **Movement in Reserves Statement (page 18)**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. Usable reserves increased by £9.920m in 2020/21, (2020/21 £54.813m, 2019/20 £44.893m), with unusable reserves decreasing by £5.870m (2020/21 £162.567m, 2019/20 £168.437m).

### **Balance Sheet (page 20)**

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

### **Cash Flow Statement (page 21)**

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

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

### **Housing Revenue Account Income and Expenditure Statement (page 87)**

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

### **Collection Fund Statement (page 93)**

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



# **Statement of Responsibilities for the Statement of Accounts**

## **The Council's responsibilities**

### ***The Council is required to:***

- Make arrangements for the proper administration of its financial affairs and to secure that the Section 151 Officer has responsibility for the administration of those affairs.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## **The Section 151 Officer's responsibilities**

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Council Accounting in the United Kingdom* (the 'Code').

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local Council Code.

The Section 151 officer has also:

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

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

Signed:

Date:

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

**28 September 2021**

# Core Financial Statements

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

## Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure and Funding Analysis									
2019/20									
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement							
				Figures in £000s					
				Expenditure on Council Services					
2,945	-2,112	5,057	Community Services Committee	4,278	-2,305	6,583			
5,085	-3,251	8,336	Environment Committee	5,298	-4,797	10,094			
559	-2,163	2,723	Housing Committee - General Fund	579	-2,146	2,725			
-5,643	121	-5,764	Housing Committee - Housing Revenue Account	-7,152	-456	-6,696			
8,397	5,829	2,568	Strategy & Resources Committee	11,120	6,809	4,311			
11,343	-1,576	12,920	Net cost of services	14,122	-2,895	17,017			
-12,458	2,583	-15,041	Other income and expenditure	-23,056	-3,456	-19,600			
-1,115	1,007	-2,120	Surplus (-) or deficit on Provision of Services	-8,934	-6,350	-2,584			
-27,601			Opening General Fund and HRA balance	-28,717					
-1,115			Surplus or deficit on General Fund and HRA balance in year	-8,934					
-28,717			Closing General Fund and HRA Balance	-37,651					
General Fund Balance	Housing Revenue Account Balance	Total Balances		General Fund Balance	Housing Revenue Account Balance	Total Balances			
-20,120	-7,481	-27,601	Opening balance	-20,361	-8,355	-28,716			
-241	-874	-1,115	Surplus (-) / deficit	-7,010	-1,924	-8,934			
-20,361	-8,355	-28,716	Closing balance	-27,373	-10,279	-37,651			

## Comprehensive Income and Expenditure Statement

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

Comprehensive Income and Expenditure Statement								
2019/20			2020/21					
Gross expenditure	Gross income	Net expenditure		Notes	Gross expenditure	Gross income	Net expenditure	
<i>Figures in £000s</i>								
<b>Expenditure on Council Services</b>								
27,195	-22,138	5,057	Community Services Committee		25,702	-19,119	6,583	
13,123	-4,787	8,336	Environment Committee		15,359	-5,265	10,094	
3,181	-458	2,723	Housing Committee - General Fund		3,099	-374	2,725	
17,530	-22,555	-5,025	Housing Committee - Housing Revenue Account		16,835	-22,882	-6,046	
	-739	-739	Council dwelling revaluation (material item - page 92)			-650	-650	
5,127	-2,559	2,568	Strategy & Resources Committee		7,455	-3,145	4,311	
<b>66,156</b>	<b>-53,236</b>	<b>12,920</b>	<b>Surplus (-) / Deficit on Operations</b>		<b>68,451</b>	<b>-51,434</b>	<b>17,017</b>	
4,428	-1,395	3,033	<b>Other Operating Expenditure</b>	11	4,952	-816	4,136	
5,396	-716	4,680	<b>Financing &amp; Investment Income &amp; Expenditure</b>	12	4,702	-773	3,929	
-	-22,754	-22,754	<b>Taxation &amp; Non-Specific Grant Income</b>	13	-	-27,666	-27,666	
		<b>-2,120</b>	<b>Surplus (-) / Deficit on Provision of Services</b>				<b>-2,584</b>	
		-7,529	Surplus (-) / deficit on revaluation of property, plant & equipment assets	26			-13,276	
		-13,883	Actuarial remeasurement gains (-) / losses on pension assets / liabilities	34			11,810	
		<b>-21,412</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>-1,466</b>	
		<b>-23,532</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>-4,050</b>	

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory general fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments.

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

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

## Movement in Reserves Statement 2019/20

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

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

## Balance Sheet

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

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). Unusable reserves are reserves that the Council may not use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

### Cash Flow Statement

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. Accounting Policies

### (a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the *Code of Practice on Local Council Accounting in the United Kingdom 2020/21* supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### (b) Accruals of Income and Expenditure

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure, on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### (c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.



#### **(d) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **(e) Charges to Revenue for Non-Current Assets**

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

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

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

#### **(f) Council Tax and Non-Domestic Rates**

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

##### **Accounting for Council Tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations

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

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

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

## **(g) Employee Benefits**

### **Benefits Payable During Employment**

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

### **Termination Benefits**

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

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

## **(h) Post-employment Benefits**

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

### **The Local Government Pension Scheme**

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

- The liabilities of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2% (2.3% in 2019/20) at the IAS19 valuation date (based on the indicative rate of return on high quality corporate bonds – iBoxx AA corporate bond index).
- The assets of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price.
  - Unquoted securities – professional estimate.
  - Unitised securities – current bid price.
  - Property – market value.
- The change in the net pensions liability is analysed into the following components:

Service Cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from scheme amendment or curtailment where the effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Gloucestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require that the General Fund Balance is charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **(i) Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **(j) Financial Instruments**

### **Financial Liabilities**

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

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

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

### **Financial Assets**

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

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

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

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

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

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

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

### **Expected Credit Loss Model**

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

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

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

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

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

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

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

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **(k) Foreign Currency Translation**

If the Council entered into a transaction denominated in a foreign currency, the transaction would be converted into sterling at the exchange rate applicable on the date the transaction was effective. If amounts in foreign currency were outstanding at the year-end, they would

be reconverted at the spot exchange rate at 31 March. Resulting gains or losses would be recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **(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 2021 that fit the definition of heritage assets are:

Nailsworth Fountain  
Stroud from Rodborough Fort, painting c1850 by A N Smith  
The Arch, Paganhill  
Warwick Vase  
Woodchester Mansion

These assets are held at cost. The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note (t) in this summary of significant accounting policies. Should a heritage asset be disposed of the proceeds would be accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

## **(n) Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally-generated assets are capitalised when it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resource available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset, and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.



Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**(o) Interests in Companies and Other Entities**

The Council is required to consider all its interests (including those in local authorities and similar bodies) and to prepare a full set of Group Financial Statements where they have material interests in subsidiaries, associates or joint ventures. The canal phase 1A project required that significant sums of money were managed by the Council to deliver this major infrastructure scheme by the end of 2017, which included £12.7m of grant from the Heritage Lottery Fund. The Council is now working on the implementation of phase 1B, which is a £20m project to link to the national canal network. Many of the land aspects of this project are managed separately by the Stroud Valleys Canal Company. The Council has membership of the Company, but does not have access to benefits or exposure to the risk of a potential loss so there is no group relationship.

Ubico Ltd. was originally formed in 2012 as a company wholly-owned by its shareholders. Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council, Gloucestershire County Council, Tewkesbury Borough Council, West Oxfordshire District Council and Stroud District Council are the current owners. Each of the seven local authorities are equal 14.29% shareholders. The company is responsible for delivering the shareholders' environmental services such as refuse and recycling within their respective council boundaries. Stroud District Council joined in January 2016 and in July 2016 Ubico Ltd. took over delivery of waste and recycling from Veolia Ltd. Since Stroud District Council does not exercise control or joint control or significant influence over the company, its accounts have not been consolidated into the group accounts, however full disclosure notes are provided.

**(p) Inventories and Long-term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**(q) Leases**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## **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 as the overall cost of a capital scheme.

## **(t) Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Where some or all of the payment required to settle a provision is expected to be recovered (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **(u) Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

### **(v) Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

### **(w) Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue & Customs. VAT receivable is excluded from income.



## 2. Accounting Standards Issued, not Adopted

The following changes in accounting standards will be introduced in the 2021/22 Code:

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

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

## 3. Critical Judgements in Applying Accounting Policies

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

- The Council has applied its judgement that there is no group relationship arising from the Canal works. The Council was successful in October 2020 in being awarded £8.9m funding from the Heritage Lottery Fund (HLF) to deliver a £16.4m Phase 1B canal restoration project, which will see the Stroudwater Navigation linked to the national canal network. Phase 1A of the canal restoration project from The Ocean in Stonehouse to Bowbridge in Stroud was concluded in 2017 and included £12m of HLF funding. The restored canal is owned and managed by the Stroud Valleys Canal Company (SVCC). A group relationship between the Council and the SVCC does not exist because the Council does not have access to benefits or exposure to risk of a potential loss from the restored canal.
- Stroud District Council has a 14.29% shareholding in a not-for-profit local authority company called Ubico, which provides environmental services (street cleaning, refuse collection, recycling and grounds maintenance). The fair value of the Council's interest in the company at 31 March 2021 is considered to be nil, since it is a wholly local authority owned not-for-profit 'Teckal' company. The company (registration No. 07824292) is limited by share capital and governed by its Memorandum and Articles of Association. The liability in respect of the shares is set out in the Memorandum of Association and is limited to £1 per member of the company, of which there are seven at 31 March 2021. There is no group relationship.

The Council purchases vehicles that are utilised by Ubico in the provision of services to the Council. As substantially all the rights of ownership are retained by the Council and the vehicles are used exclusively for the benefit of Stroud District Council, they have been accounted for as assets within Property, Plant and Equipment. Those vehicles have a net book value of £2.2m.

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

property assets and transferring them to other local organisations where the opportunity arises.

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

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

As well as the items described in Note 3, the items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment, Property Funds, and Pension Fund Property Investments	<p>The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, impacted global financial markets.</p> <p>A year on from that there is an ongoing outlook of financial uncertainty. Consequently, most of the Council's property assets have been revalued as at 31 March 2021.</p> <p>It is important to note however that valuations this year are not reported on the basis of 'material valuation uncertainty' as defined by VPS3 (Valuation Technical and Performance Standard) and VPGA 10 (Valuation Practical Guidance Application) of the RICS Red Book Global.</p>	<p>Council dwellings and Other Land &amp; Buildings valuations account for £322.126m (Note 14), property fund investments £5.795m (Note 18) and pension fund property investments £7.811m (Note 34).</p> <p>This is a total exposure of £335.732, and so a 10% adverse variation in the accuracy of property valuations would result in an impact of £34m.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson LLP, is engaged to provide the Council</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £16.374m (2019/20 £11.887m).</p> <p>However, the assumptions interact in complex ways. During 2020/21, the Council's actuaries advised that</p>

	with expert advice about the assumptions to be applied.	the net pension liability had increased by £11.810m (decreased by £13.883m 2019/20) as a result of re-measurements by the actuary.
Arrears	At 31 March 2021 the Council had a short-term debtor balance of £13.687m and a bad debt provision of £2.401m or 17.5% of the debt. If collection rates were to deteriorate, an additional bad debt provision would have to be made.	If collection rates were to deteriorate, an additional bad debt provision would have to be made. See notes 18, 19 and 20 for further details of debt outstanding.

## 5. Material Items of Income and Expense

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

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

## 6. Events after the Balance Sheet Date

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

## 7. Note to the Expenditure and Funding Analysis

### Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2020/21

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

### Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure amounts	Adjustments for Capital Purposes (a)	Net change for the Pensions Adjustments (b)	Other Differences (c)	Total Adjustments
	£000	£000	£000	£000
Community Services Committee	-769	-661	-682	-2,112
Environment Committee	-963	-721	-1,567	-3,251
Housing Committee - General Fund	-1,838	-95	-230	-2,163
Housing Committee - Housing Revenue Account	1,461	-45	-1,295	121
Strategy & Resources Committee	1,169	898	3,762	5,829
<b>Net Cost of Services</b>	<b>-940</b>	<b>-624</b>	<b>-12</b>	<b>-1,576</b>
Other income and expenditure from the expenditure and funding analysis	3,981	-1,231	-167	2,583
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>3,041</b>	<b>-1,855</b>	<b>-179</b>	<b>1,007</b>

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

## **(a) Adjustments for Capital Purposes**

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

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

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

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

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

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

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

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

## **(c) Other Differences**

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

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

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

## 8. Expenditure and Income Analysed by Nature

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

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

## 9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

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

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

2019/20	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pensions costs (transferred to (or from) the Pensions Reserve)	1,490	365	-	-	-	-1,855
Council tax and NDR (transfers to (or from) Collection Fund Adjustment Account)	-144	-	-	-	-	144
Holiday pay (transferred to the Accumulated Absences Reserve)	9	2	-	-	-	-11
Reversal gains/losses on investments	311	-	-	-	-	-311
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	4,761	5,958	-	-	-	-10,719
<b>Total Adjustments to Revenue Resources</b>	<b>6,425</b>	<b>6,326</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-12,751</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-343	-3,054	-	3,397	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	28	-	-28	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	325	1,650	-	-	-	-1,975
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	367	-	-	-367	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-6,973	6,973	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-892	-	-900	-315	-	2,107
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-543</b>	<b>-8,349</b>	<b>6,073</b>	<b>2,687</b>	<b>-</b>	<b>132</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-1,259	-	1,259
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-6,504	-	-	6,504
Application of capital grants to finance capital expenditure	-2,953	-	-	-	397	2,557
Capital expenditure charged against the General Fund and HRA balances	-1,467	-446	-	-	-	1,913
<b>Total Adjustments to Capital Resources</b>	<b>-4,420</b>	<b>-446</b>	<b>-6,504</b>	<b>-1,259</b>	<b>397</b>	<b>12,233</b>
Adjustments between accounting basis & funding basis under regulations	<b>1,463</b>	<b>-2,470</b>	<b>-431</b>	<b>1,427</b>	<b>397</b>	<b>-388</b>

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



## 10. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure 2020/21.

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

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

## 11. Other Operating Expenditure

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

## 12. Financing and Investment Income and Expenditure

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

## 13. Taxation and Non-Specific Grant Income

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

See Note 40 Covid-19 Government Funding

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

## 14. Property, Plant and Equipment

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

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

## Property, Plant and Equipment

Movements in 2019/20	Council dwellings	Council dwellings under construction	Other land & buildings *	Vehicles, plant furniture & equipment	Infra-structure assets	Total property, plant & equipment
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
At 1 April 2019	260,243	3,630	51,571	8,938	328	324,710
Additions	6,836	1,113	219	1,567	-	9,735
Donations	-	-	-	-	-	-
Revaluation increases / decreases (-) recognised in the Revaluation Reserve	5,764	-	1,737	-	-	7,501
Revaluation increases / decreases (-) recognised in the Surplus / Deficit on the Provision of Services	-5,903	-	138	-	-	-5,765
Derecognition - disposals	-1,226	-	-174	-	-	-1,400
Derecognition - disposals recognised in revaluation reserve	-79	-	-347	-	-	-426
Transfers	1,470	-1,470	-	-	-	-
<b>At 31 March 2020</b>	<b>267,105</b>	<b>3,273</b>	<b>53,144</b>	<b>10,505</b>	<b>328</b>	<b>334,355</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
At 1 April 2019	-	-	-10,380	-4,615	-192	-15,187
Depreciation charge	-5,713	-	-568	-1,005	-11	-7,297
Depreciation written out to the Revaluation Reserve	-	-	-703	-	-	-703
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,713	-	509	-	-	6,222
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-
<b>At 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>-11,142</b>	<b>-5,620</b>	<b>-203</b>	<b>-16,965</b>
<b>Net Book Value</b>						
<b>At 31 March 2020</b>	<b>267,105</b>	<b>3,273</b>	<b>42,002</b>	<b>4,885</b>	<b>125</b>	<b>317,385</b>
At 31 March 2019	260,243	3,630	41,191	4,323	136	309,519

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

*Note 14 tables contain rounding (see Glossary) which affect the arithmetic accuracy of the figures.*

## **Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings: 33 years.
- Buildings: 20 to 50 years.
- Vehicles, Plant, Furniture and Equipment: 5 to 15 years.
- Infrastructure: 20 to 30 years.

## **Capital Commitments**

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

## **Revaluations**

The Council carries out a rolling programme to ensure that all Property, Plant and Equipment measured at current value is revalued at least every five years, and those valuations are materially correct. During 2020-21 almost all the Council's properties have been revalued. Bruton Knowles have valued most of the Council's operational property assets including The Pulse, Stratford Park Leisure Centre, Museum in the Park, Gossington Depot, The Ship Inn, Littlecombe Business Park, Ebley Mill and the main car parks. Savills have revalued the council houses. Other property valuations such as the smaller car parks were carried out by internal valuers.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Revaluations are as at 31 March 2021.

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

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

## 15. Heritage Assets

Heritage Assets				
	Heritage Properties	Painting	Warwick Vase	Total
	£000	£000	£000	£000
<b>Cost or valuation At 31 March 2021</b>	<b>20</b>	<b>80</b>	<b>40</b>	<b>140</b>

Sims Clock and Bank Gardens were transferred to Stroud Town Council in March 2017. They both had a nominal historical cost valuation of £1 on the asset register. Other than this there were no transactions involving the purchase, donation, disposal or impairment during the five financial years from 2016/17 to 2020/21.

The Council's painting 'Stroud from Rodborough Fort' and the Warwick Vase are reported in the Balance Sheet at insurance valuation which is based on market values. Heritage properties are included at historic cost.

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

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

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

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

**Woodchester Mansion** - is a Grade I listed house in the Victorian Gothic style. It is absolutely unique because it is unfinished. Work started on the mansion in the mid-1850s. The architect was a young local man called Benjamin Bucknall. It is situated at the western end of Woodchester Park, with the village of Woodchester to the eastern end.

## 16. Capital Expenditure and Capital Financing

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

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

## 17. Leases

### Council as Lessee

- **Finance Leases**  
The Council has no assets acquired by finance lease on its Balance Sheet.
- **Operating Leases**  
The Council leases in property under operating leases for economic development purposes, to provide suitable affordable accommodation for local businesses – see also the note under ‘Council as Lessor’.

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

<b>Future Minimum Lease Payments</b>		
	<b>31 March 2020 £000</b>	<b>31 March 2021 £000</b>
Not later than one year	63	-
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Total Future Minimum Lease Payments</b>	<b>63</b>	<b>-</b>

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

<b>CI&amp;E Expenditure in year</b>		
	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Minimum lease payments	63	-
	<b>63</b>	<b>-</b>

#### **Council as Lessor**

- **Finance Leases**

The Council has no finance leases as a lessor.

- **Operating Leases**

The Council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses – see also the note under ‘Council as Lessee’.

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

<b>Authority as Lessor</b>		
	<b>31 March 2020 £000</b>	<b>31 March 2021 £000</b>
Not later than one year	71	-
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Total Authority as Lessor</b>	<b>71</b>	<b>-</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21 £ nil contingent rents were receivable by the Council (2019/20 £ nil).



## 18. Financial Instruments

### Categories of Financial Instruments

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

<b>Categories of Financial Instruments</b>				
	<b>Long-term</b>		<b>Current</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Investments</b>				
Financial assets at amortised cost	-	-	19,744	28,821
Financial assets at fair value through profit and loss	8,702	9,867	-	-
<b>Total Investments</b>	<b>8,702</b>	<b>9,867</b>	<b>19,744</b>	<b>28,821</b>
<b>Debtors</b>				
Financial assets at amortised cost	281	284	8,525	11,286
<b>Total Debtors</b>	<b>281</b>	<b>284</b>	<b>8,525</b>	<b>11,286</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	-102,717	-102,717	-1,000	-
<b>Total Borrowings</b>	<b>-102,717</b>	<b>-102,717</b>	<b>-1,000</b>	<b>-</b>
<b>Creditors</b>				
Financial liabilities carried at contract cost	-2,186	-2,186	-11,889	-24,995
<b>Total Creditors</b>	<b>-2,186</b>	<b>-2,186</b>	<b>-11,889</b>	<b>-24,995</b>

### Fair Values of Assets and Liabilities

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

The 2020/21 Code of Practice sets out the fair value valuation hierarchy that authorities are required to follow, to increase consistency and comparability in fair value measurements and related disclosures. Authorities are required to disclose the methods used and any assumptions made in arriving at fair values. The valuation basis adopted for investments and borrowing uses **Level 2 Inputs** – i.e. inputs other than quoted prices that are observable for the financial asset/liability, except for Property Fund and Multi-Asset fund investments which use **Level 1 Inputs** – i.e. unadjusted quoted prices in active markets for identical shares.

The following valuation basis has been applied:

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

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

### Valuation of property fund and multi-asset fund investments

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

### Valuation of PWLB loans

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

### Valuation of non-PWLB loans payable

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

### Inclusion of accrued interest

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

### Discount rates used in NPV calculation

The rates for valuation were obtained from the market on 31 March 2021, using bid prices where applicable.

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

The fair values calculated are as follows:

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

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

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

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

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

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

**Local Authority Mortgage Scheme** – the Council offered a financial guarantee to enable first-time buyers to obtain a mortgage. The total value of the guarantee was £1.2m. The Council invested £1m and Gloucestershire County Council £200k for five years at a market rate of 3.8% which was repaid in April 2017. Premium interest of 0.7% was payable in return for the financial guarantee. Premium interest was set aside to pay for any liability realised as a result of the financial guarantee. This scheme commenced in April 2012 and closed to new loan applications in 2015. A total of £4.7m of loans was issued which utilised £0.9m of the available guarantee. As at March 2021 any potential liabilities have expired (March 2020 £24,500). There were no repossessions under the scheme or calls upon the financial guarantee since inception.

## 19. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit Risk** – the possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity Risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.
- **Re-financing Risk** – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market Risk** – the possibility that financial loss might arise for the Council as a result of interest rates and stock market movements.

### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice.
- By the adoption of a Treasury Policy Statement and treasury management clauses within financial regulations / standing orders / constitution.
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing.
  - Maximum and minimum exposures to the maturity structure of its borrowing.
  - Maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as well as a mid-year and quarterly updates.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 20 February 2020 and is available on the Council website. The key issues within the strategy were:

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

- The Operational Boundary is £129m. This is the expected level of debt and other long-term liabilities during the year.

These policies are implemented by a treasury team, within the Finance section. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed annually.

## Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Link Asset Services, the Council's treasury management advisers. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution or group.

The credit criteria in respect of financial assets held by the Council are as detailed below:

- A financial institution must be included as a creditworthy counterparty on Link Asset Services weekly listing.
- There is an individual bank and group limit of £8m. Outside the UK the Council will only make deposits with banks in AA- rated countries. Investments can be for a maximum three-year duration.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, but formal individual credit limits are not set.

The Council's maximum exposure during 2020/21 to credit risk in relation to its investments in banks and building societies was £67m. It cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Experience has shown that, whilst rare, it can happen that such entities can fail to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no new evidence at 31 March 2021 that this risk was likely to crystallise.

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

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

Potential Maximum Exposure to Credit Risk					
	Amount at 31 March 2021 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2021 %	Estimated maximum exposure to default & uncollectability at 31 March 2021 £000 (A*C)	Estimated maximum exposure to default & uncollectability at 31 March 2020 £000
	A	B	C		
Bonds	-	-	-	-	-
Customers	11,286	4.5%	6.0%	677	512
				<b>677</b>	<b>512</b>

## Liquidity Risk

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

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

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

## Refinancing Risk

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

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

<b>Maturity Analysis - PWLB</b>		
	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>
Less than one year	1,000	-
Between one and two years	-	2,000
Between two and five years	2,000	-
Between five and ten years	-	-
More than ten years*	100,717	100,717
<b>Total</b>	<b>103,717</b>	<b>102,717</b>

\*PWLB maturities are during the period up until 2066.

## **Market Risk**

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

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

## **Interest Rate Risk**

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

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

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

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. Risk of loss may be ameliorated if a proportion of government grant payable on financing costs moves with prevailing interest rates or the Council's cost of borrowing, and provides compensation for a proportion of any higher costs.

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

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

### 1% Interest Higher

**2020/21**  
**£000**

Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	22,587
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The impact of a 1% fall in interest rates would be as above but with the movement being reversed.

### Price Risk

The Council does not invest in equity shares. If it did, these would be classified as 'available for sale' and all movements in price would impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

## 20. Debtors

### Debtors

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



## 21. Cash and Cash Equivalents

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

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

## 22. Assets Held for Sale

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

## 23. Creditors

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

## 24. Provisions

Provisions			
	Housing Repairs	NNDR	Total
	£000	£000	£000
<b>Balance at 1 April 2020</b>	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	-	-	-
<b>Balance at 31 March 2021</b>	<b>624</b>	<b>912</b>	<b>1,536</b>

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

## 25. Usable Reserves

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

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

## 26. Unusable Reserves

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

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

### Revaluation Reserve

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

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

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

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

### Capital Adjustment Account

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

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

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

## Capital Adjustment Account

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

## Financial Instruments Adjustment Account

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

<b>Financial Instruments Adjustment Account</b>	
<b>31 March 2020 £000</b>	<b>31 March 2021 £000</b>
<b>- Balance at 1 April</b>	<b>-311</b>
<b>9 Upward revaluation of investments</b>	<b>303</b>
<b>-320 Downward revaluation of investments</b>	<b>-122</b>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>181</b>
<b>-311 Balance at 31 March</b>	<b>-129</b>

## Pensions Reserve

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

Pension Reserve	
31 March 2020 £000	31 March 2021 £000
<b>-51,175</b> Balance at 1 April	<b>-39,147</b>
13,883 Actuarial gains or losses on pensions assets and liabilities	-11,810
-5,919 Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-4,406
4,064 Employers pension contributions and direct payments to pensioners payable in the year	4,158
<b>-39,147</b> Balance at 31 March	<b>-51,205</b>

### Collection Fund Adjustment Account

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

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

## Accumulated Absences Account

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

<b>Accumulated Absences Account</b>	
<b>31 March 2020 £000</b>	<b>31 March 2021 £000</b>
<b>-138</b> Balance at 1 April	<b>-149</b>
<b>138</b> Settlement or cancellation of accrual made at the end of the preceding year	<b>149</b>
<b>-149</b> Amounts accrued at the end of the current year	<b>-299</b>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	
<b>-11</b>	<b>-149</b>
<b>-149</b> Balance at 31 March	<b>-299</b>



## 27. Cash Flow Statement – Operating Activities

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

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

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

## 28. Cash Flow Statement – Investing Activities

### Cash Flow Statement - Investing Activities

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

## 29. Cash Flow Statement – Financing Activities

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

## 30. Acquired or Discontinued Operations and Transferred Services

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

## 31. Members' Allowances

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

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

## 32. Officers' Remuneration

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

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

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

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

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

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

### 33. Termination Benefits

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

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

## **34. Defined Benefit Pension Scheme**

### **Participation in Pension Scheme**

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

The Council participates in the Local Government Pension Scheme, administered locally by Gloucestershire County Council. This was a funded defined benefit final salary scheme until 31 March 2014, and is a defined benefit career average scheme from 1 April 2014. The Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

### **Transactions Relating to Post-employment Benefits**

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

## Transactions Relating to Post-employment Benefits

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

## Assets and Liabilities Recognised in the Balance Sheet

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

<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>		
	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Present value of the defined benefit obligation	-129,210	-166,093
Fair value of plan assets	90,063	114,888
<b>Net liability arising from the defined benefit obligation</b>	<b>-39,147</b>	<b>-51,205</b>

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

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

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

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

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

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

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

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £166.093m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall pensions reserve balance of £51.205m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council for the year to 31 March 2022 are £3.817m. In 2017/18, the Council paid lump sum pension deficit payments scheduled for the following two financial years early to benefit from a discounted lump sum amount. In 2020/21 the Council declined the opportunity to pay lump sum deficit payments in advance. Expected contributions for the Discretionary Benefits Scheme in the year to 31 March 2022 are £59k.



## Local Government Pension Scheme Assets Comprised

Local Government Pension Scheme Assets Comprised								
Asset Category	31 March 2020				31 March 2021			
	Quoted prices in active markets £000	Quoted prices in not active markets £000	Total £000	% of Total Assets	Quoted prices in active markets £000	Quoted prices in not active markets £000	Total £000	% of Total Assets
<b>Debt Securities:</b>	-	-	-	-	-	-	-	-
Corporate bonds (investment grade)	10,020	-	10,020	11%	12,960	-	12,960	11%
Corporate bonds (non-investment grade)	216	-	216	0%	286	-	286	0%
UK Government	1,654	-	1,654	2%	1,470	-	1,470	1%
Other	249	-	249	0%	441	-	441	0%
<b>Private Equity:</b>	-	-	-	-	-	-	-	-
All	-	297	297	0%	-	587	587	1%
<b>* Real Estate:</b>	-	-	-	-	-	-	-	-
UK Property	5,003	1,599	6,602	7%	5,562	1,711	7,273	6%
Overseas Property	-	465	465	1%	-	538	538	0%
<b>Investment Funds and Unit Trusts:</b>	-	-	-	-	-	-	-	-
Equities	-	57,280	57,280	64%	-	76,232	76,232	67%
Bonds	7,125	-	7,125	8%	8,363	285	8,648	8%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	181	181	0%	-	584	584	1%
Other	-	5,028	5,028	6%	-	2,641	2,641	2%
<b>Derivatives:</b>	-	-	-	-	-	-	-	-
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	19	-	19	0%	28	-	28	0%
Other	9	-	9	0%	8	-	8	0%
<b>Cash and Cash Equivalents:</b>	-	-	-	-	-	-	-	-
All	1,041	-	1,041	1%	3,192	-	3,192	3%
<b>Totals</b>	<b>25,336</b>	<b>64,851</b>	<b>90,187</b>	<b>100%</b>	<b>32,310</b>	<b>82,578</b>	<b>114,888</b>	<b>100%</b>

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

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

### Basis for Estimating Assets and Liabilities

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

## Assumptions

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below is based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

### Change in Assumptions at 31 March 2021

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

\*The principal demographic assumption is the longevity assumption (i.e. Member life expectancy). For sensitivity purposes, the actuaries estimate that a one-year increase in life expectancy would approximately increase the Employer Defined Benefit Obligation by around 3-5%. In practice, the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements predominantly apply at younger or older ages).

## Funding Strategy Statement

The Gloucestershire County Council Pension Fund has a Funding Strategy Statement (FSS) prepared in collaboration with the fund's actuary, Hymans Robertson LLP, after consultation with the fund's employers and investment adviser. The latest FSS is effective from March 2021.

An objective of the FSS is an investment strategy that is set for the long-term solvency of the fund, using a prudent long-term view to ensure sufficient funds are available to pay members' benefits as they fall due. Normally a full review of the investment strategy is carried out after each actuarial valuation, and is reviewed annually to ensure it remains appropriate to the fund's liability profile.

A balance needs to be maintained between risk and reward, and this has been considered by the use of Asset Liability Modelling. This is a set of calculation techniques applied by the fund's actuary, to model a range of potential future solvency levels and contribution rates.

Modelling demonstrates that retaining the present investment strategy, coupled with constraining employer contribution rates, meets the need for stability of contributions without jeopardising the Administering Authority's aim of prudent stewardship of the fund.

The next FSS review will be at the time of the next actuarial valuation in 2022.

## Impact on the Authority's Cash Flows

An objective of the Administering Authority is to keep employers' contribution rates as constant as possible. Funding levels are set for a three-year period. The results from the next triennial valuation are due to be completed on 31 March 2022.

Stroud District Council anticipates employer contributions of £3.817m to the scheme in 2021/22.

## 35. External Audit Costs

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

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

### 36. Grant Income

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

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

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

## **37. Related Parties**

The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals who have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council.

### **Central Government**

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note 36.

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2020/21 and 2019/20 is shown in note 31. A number of Members have declared interests in related parties which are mainly local organisations; however, they are not material in nature.

The Register of Members' Interests is on the Council's website, or is open to public inspection at Ebley Mill during office hours, on application.

### **Officers/Other Public Bodies**

Senior Officers have not disclosed any material transactions with related parties and the Council has no material pooled budget arrangements with other public bodies.

### **Entities Controlled or Significantly Influenced by the Council**

The Council is a Member of the Stroud Valleys Canal Company (SVCC) and is entitled to nominate a Director to the Board of Directors. For the period 2020/21, the Council chose not to do so. The company was formed in 2009 to hold land associated with the Canal Restoration Project led by the Council and to maintain and operate the canal post-restoration. All payments to SVCC during 2020/21 relate to the Agreement between the respective parties dated 16 March 2012.

Also, the Council is one of seven equal shareholders of Ubico Limited. The other owners are Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council, Gloucestershire County Council, Tewkesbury Borough Council and West Oxfordshire. The company is responsible for delivering the shareholders' environmental services such as refuse and recycling within their respective council boundaries. Stroud District Council joined in January 2016 and in July 2016 Ubico Limited took over collection of waste and recycling from Veolia Limited. Since Stroud District Council does not exercise control or joint control or significant influence over the company, its accounts have not been consolidated into group accounts; however, full disclosure notes are provided.

### **38. Contingent Liabilities**

The Council has no contingent liabilities as at 31 March 2020 or 31 March 2021.

### **39. Contingent Assets**

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

### **40. Covid-19 Government Funding**

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

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

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

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

## Covid-19 Government Funding

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

# Supplementary Financial Statements



## Housing Revenue Account

The Housing Revenue Account (HRA) Income and Expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

### Housing Revenue Account Income and Expenditure Account

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

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

## Movement on the Housing Revenue Account Statement

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

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

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

2019/20 £000		2020/21 £000
	Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statutory HRA requirements (if any)	<b>-41</b>
	- Capital grants and contributions receivable	173
1,376	Gain or loss (-) on sale of HRA non-current assets	798
<b>-365</b>	HRA share of contributions to or from the Pensions Reserve	<b>-81</b>
446	Capital expenditure funded by the HRA	402
6,973	Transfer to / from (-) Major Repairs Reserve	5,887
<b>-5,963</b>	Transfer to / from (-) the Capital Adjustment Account	<b>-5,299</b>
<b>2,470</b>	<b>Net additional amount required to be credited (-) or debited to the HRA balance for the year</b>	<b>1,839</b>

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

# Notes to the Housing Revenue Account (HRA)

## 1. Housing Stock

Movement in Housing Stock												
2019/20						2020/21						
1 April	Right-to-buy sales	Other disposals	Transfers	Additions	31 March	Number by type of dwellings	1 April	Right-to-buy sales	Other disposals	Transfers	Additions	31 March
1,256			-10		1,246	Bungalows	1,246	-1				1,245
1,485	-1		-4	12	1,492	Flats	1,492	-1			2	1,493
2,220	-20		-		2,200	Houses	2,200	-8			8	2,200
14					14	Maisonettes	14					14
40	-1				39	Shared ownership	39		-1		2	40
5,015	-22	-	-14	12	4,991	Total Housing Stock	4,991	-10	-1	-	12	4,992

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

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

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

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

## 2. Vacant Possession Value of Dwellings

The open market vacant possession of dwellings including land within the HRA at 31 March 2021, at March 2021 prices, is £785m (March 2020 £763m). The value of dwellings net of the social element factor (35%) is £275m. The difference of £510m between the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than open market rents.

### 3. Major Repairs Reserve (MRR)

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

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

### 4. Capital Expenditure

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

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

### 5. Capital Receipts

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

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

## 6. Rent Income

This is the total dwelling rent collectable for the year after allowance for empty property. At 31 March 2021 there were 214 vacant properties for rent representing 4.3% of the total (on 31 March 2020 the figures were 93 and 1.9%). The average weekly rent at 31 March 2021 was £83.62, an increase of £2.59, or 3.1%, over the previous year. This change is a composite figure that includes stock improvements, addition of new builds, inflation and the effect of sales.

## 7. Rent Arrears

During the year the amount of rent arrears, which include £326k in respect of former tenants, has increased by £11k (1.5%). See also note 10.

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

## 8. Non-dwelling Rents

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

## 9. Pensions Accounting

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

## 10. Allowance for Bad Debt

The cumulative allowance for uncollected debts was £0.771m at 31 March 2021 (£0.665m at 31 March 2020).

## 11. Depreciation, Impairment and Revaluation

The HRA incurs capital charges in respect of depreciation in accordance with the Item 8 Credit and Item 8 Debit (General) Determination for 2020/21. The depreciation charge is based upon a 33-year life of the operational dwellings, less an allowance for residual land value. The depreciation charge for dwellings is £5.863m (£5.713m in 2019/20).

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

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

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

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

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

## 12. Capital Expenditure Funded by Revenue Under Statute

There has been no capital expenditure funded by revenue under statute (e.g. grants) attributable to the HRA during the year.

## 13. Gain (-) / Loss on Sale of HRA Fixed Assets

This includes the costs of the team administering the Right to Buy sales of HRA properties to the tenants (see note 1). The costs are charged against the capital receipt that they generate and are reversed in the Statement of Movement on the HRA Balance.

## Collection Fund

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

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

## Notes to the Collection Fund

### 14. General

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

### 15. Council Tax Base

The Council's tax base represents the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted by a prescribed ratio to give an equivalent number of "band D" dwellings. The band D equivalent is adjusted by 1% to cover appeals, changes in discounts and bad debts that arise. The tax base for 2020/21 was calculated as follows:

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



## 16. Council Tax Income

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

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

## 17. Council Tax Rates

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

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

## 18. Income from Business Ratepayers

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

Local authorities retain a proportion of the total collectable rates due. In 2020/21, Stroud's local share is 40% with the remainder due to Central Government (50%) and Gloucestershire County Council (10%).

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

## Net Rates Payable by Ratepayers

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

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

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

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

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

## 19. Business Rate Net Share

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

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

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

## 20. Apportionment of Collection Fund Balances

The year-end balances on the Collection Fund are apportioned between the major preceptors and will be distributed in future years. The balances at the end of 2020/21 are as follows:

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

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

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

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

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

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

# **Independent Auditor's Report**

Keep clear for audit opinion

Keep clear for audit opinion

Keep clear for audit opinion

Keep clear for audit opinion



## Glossary

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

Accounting Policies	The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
Actual	Financial transactions that have occurred in the year.
Actuary	Person professionally trained in the technical aspects of pensions, insurance and related fields. The actuary estimates how much money must be contributed to an insurance or pension fund in order to provide future benefits.
Appropriation	Transfer to or from a <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 <i>estimate</i> of income and expenditure in a financial year.
Gloucestershire Business Rates Pool (GBRP)	Set up to maximise business rates income retained within the county. Currently, Gloucestershire County, Cheltenham Borough, Cotswold District, Forest of Dean District, Gloucester City and Stroud District councils.
General Fund	The account that records and finances Council <i>revenue</i> expenditure, other than <i>HRA</i> .
Housing Revenue Account (HRA)	A separate statutory account dealing with the <i>revenue</i> income and expenditure arising from the provision of Council-owned and managed dwellings.
IAS 19	International Accounting Standard 19 <i>Employee Benefits</i> is the accounting requirement as regards pensions that local authorities

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

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

# Feedback form – your views

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

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

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

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

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

You can give your name and address if you wish.

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

Do you think it is informative?    Yes ☐    No ☐

How could we improve the Statement of Accounts?

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

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Your name .....

Your address.....

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

**Thank you**