



Audit and Governance Committee

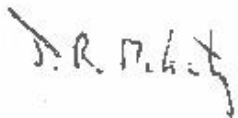
Meeting: Monday, 13th September 2021 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

Membership:	Cllrs. Wilson (Chair), Brooker (Vice-Chair), Bowkett, Patel, Durdey, Evans, Melvin and Pullen
Contact:	Democratic and Electoral Services 01452 396126 democratic.services@gloucester.gov.uk

AGENDA

1.	APOLOGIES To receive any apologies for absence.
2.	DECLARATIONS OF INTEREST To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
3.	MINUTES (Pages 5 - 8) To approve as a correct record the minutes of the meeting held on 19 July.
4.	PUBLIC QUESTION TIME (15 MINUTES) To receive any questions from members of the public provided that a question does not relate to: <ul style="list-style-type: none"> • Matters which are the subject of current or pending legal proceedings, or • Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers
5.	PETITIONS AND DEPUTATIONS (15 MINUTES) To receive any petitions and deputations provided that no such petition or deputation is in relation to: <ul style="list-style-type: none"> • Matters relating to individual Council Officers, or • Matters relating to current or pending legal proceedings
6.	DELOITTE EXTERNAL AUDIT REPORT 2020/21 (ISA 260 TO THOSE CHARGED WITH GOVERNANCE) To receive the report of the Council's External Auditor (report to follow)
7.	STATEMENT OF ACCOUNTS (Pages 9 - 94)

	To receive the report of the Head of Policy and Resources concerning the Council's Statement of Accounts.
8.	INTERNAL AUDIT ACTIVITY 2021/22 - PROGRESS REPORT (Pages 95 - 114) To receive the Head of Audit Risk and Assurance's Quarterly Report on Internal Audit Activity.
9.	ANNUAL GOVERNANCE STATEMENT, LOCAL CODE OF CORPORATE GOVERNANCE AND COUNCIL WIDE ASSURANCE MAP 2021/22 (Pages 115 - 144) To receive the joint report of the Head of Policy and Resources and the Head of Audit Risk Assurance seeking approval of the Annual Governance Statement 2020-21.
10.	AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME (Pages 145 - 146) To consider the Work Programme.
11.	DATE OF NEXT MEETING Monday 16 November 2021 at 6.30pm in the Civic Suite, North Warehouse.



Jon McGinty
Managing Director

Date of Publication: Friday, 3 September 2021

NOTES

Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

<u>Interest</u>	<u>Prescribed description</u>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business or land in the Council's area and (b) either – i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with

whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose, "securities" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

NOTE: the requirements in respect of the registration and disclosure of Disclosable Pecuniary Interests and withdrawing from participating in respect of any matter where you have a Disclosable Pecuniary Interest apply to your interests and those of your spouse or civil partner or person with whom you are living as a spouse or civil partner where you are aware of their interest.

Access to Information

Agendas and reports can be viewed on the Gloucester City Council website: www.gloucester.gov.uk and are available to view five working days prior to the meeting date.

For enquiries about Gloucester City Council's meetings please contact Democratic Services, 01452 396126, democratic.services@gloucester.gov.uk.

If you, or someone you know cannot understand English and need help with this information, or if you would like a large print, Braille, or audio version of this information please call 01452 396396.

Recording of meetings

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Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the Public and Press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

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If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions:

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building; gather at the assembly point in the car park and await further instructions;
- Do not re-enter the building until told by a member of staff or the fire brigade that it is safe to do so.



AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 19th July 2021

PRESENT : Cllrs. Wilson (Chair), Brooker (Vice-Chair), Bowkett and Pullen

Others in Attendance

Head of Audit Risk and Assurance
Accountancy Managers
Principal Auditor – Gloucester City Council
Democratic and Electoral Services Team Leader

APOLOGIES : Cllrs. Patel, Durdey, Evans and Melvin

1. APPOINTMENT OF CHAIR AND VICE-CHAIR

1.1 Councillors Wilson and Brooker were confirmed as Chair and Vice-Chair of the Committee.

2. DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3. MINUTES

3.1 The minutes of the meeting held on 8 March 2021 were approved and signed as a correct record by the Chair.

4. PUBLIC QUESTION TIME (15 MINUTES)

4.1 There were no public questions.

5. PETITIONS AND DEPUTATIONS (15 MINUTES)

5.1 There were no petitions nor deputations.

6. TREASURY MANAGEMENT ANNUAL REPORT 2020/1

AUDIT AND GOVERNANCE COMMITTEE
19.07.21

- 6.1 The Accountancy Manager introduced the report detailing the Council's performance for the previous financial year. He confirmed the funds available as well as the Council's performance against benchmarks for the period which the Council outperformed. No long term borrowing had been undertaken in the period.
- 6.2 Councillor Pullen noted that the PWLB was no longer available for commercial borrowing and asked from when this had been the case. The Accountancy Manager confirmed that this was following a consultation as, twelve months previously the PWLB had increased rates by 1% and this was an offsetting measure. He further stated that there was confidence that the PWLB could be used for regeneration purposes.
- 6.3 Councillor Pullen noted that the property investment strategy fund amounted to approximately £80m and asked how much had been allocated thus far. It was agreed that a full response would be circulated in due course.
- 6.4 The Chair ask if, hypothetically, the PWLB could now still be utilised for expansion of the runway at Gloucestershire Airport under the new rules. The Accountancy Manager advised that these matters were determined on a case by case basis and that an assurance would be sought that the borrowing was not for solely commercial purposes.
- 6.5 The Chair noted that the Council's investment strategy priorities were: Security of Capital, Liquidity and Yield and queried whether these were in order of priority. The Accountancy Manager confirmed that they were.
- 6.6 **RESOLVED that:-** The Audit and Governance Committee **NOTE** the report.

7. ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2020/21

- 7.1 The Head of Audit Risk and Assurance (ARA) outlined the work undertaken by the internal audit team throughout the year and further outlined that internal audit provided opinions on risk management as well as a comparison of work undertaken.
- 7.2 Internal Audit work was carried out in accordance with the Public Sector Internal Audit Standards (PSIAS) 2017 and the CIPFA Local Government Application Note for the UK PSIAS. The Head of ARA also confirmed that there had, overall, been a satisfactory opinion and confirmed that no limitations had been placed on internal audit's work.
- 7.3 Throughout the year, 93% of the revised plan was achieved against a target of 85% and the Head of ARA thanked the Principal Auditor and the wider team for this achievement. The Head of ARA reported that the service had been able to provide a dividend to the Council. He also confirmed that a piece of risk management work would be undertaken to strengthen the position in that area of work. In response to a query from the Chair regarding an independent review into risk management practices, the Head of ARA

AUDIT AND GOVERNANCE COMMITTEE
19.07.21

clarified that this was not a PSIAS requirement but was in order for him to familiarise with current practices having only recently joined the service.

- 7.4 Following a query from Councillor Bowkett the Head of ARA confirmed that the waste audit had been received and would be included in the Annual Governance Statement.
- 7.5 Councillor Pullen queried how such terms as 'substantial', 'satisfactory' and 'limited' assurance were formulated. The Head of ARA confirmed that these were of standard use and definitions were provided. He further advised that benchmarking with other Councils would also take place.
- 7.6 Councillor Pullen noted the rapidity with which business grants were administered and asked how it was ascertained what the funds were spent on. The Head of ARA noted that the grants were available for a wide range of uses and at the discretion of the business owner.
- 7.7 The Chair noted that the whistleblowing policy was described as fit for purposes but that elsewhere it was referred to the fact that further work needed to be undertaken. The Principal Auditor advised that it was a robust policy and that the changes referred to were in order to reflect best practice.
- 7.8 With regards to debt in the culture portfolio, the Chair queried whether further actions were to be completed to recover 'aged' debt. The Principal Auditor confirmed that the number of aged debts were considerably fewer and that a wider piece of work would be undertaken to assess aged debt and to improve the position.
- 7.9 **RESOLVED that:** - The Audit and Governance Committee
- (1) Assessed, from the findings set out in this Annual Report on Internal Audit Activity 2020/21, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively;
 - (2) Note that the performance of Internal Audit meets the required standards; and
 - (3) Note the Council wide counter fraud activity during 2020/21 which includes the fraud reporting requirements as mandated by the Local Government Transparency Code 2015.

8. APPOINTMENT OF INDEPENDENT MEMBER

- 8.1 The Accountancy Manager provided a timeline as to decisions taken in order to appoint an independent member to the Committee. The previous intention was that this would be progressed following elections which had been postponed. Now that a new Council had been elected, steps would now be

AUDIT AND GOVERNANCE COMMITTEE
19.07.21

taking to recruit an independent member and it was anticipated that they would be in place for the next municipal year.

8.2 **RESOLVED that:-** The Audit and Governance Committee **NOTE** the update.

9. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

9.1 The Committee considered the Work Programme. The Chair noted that the accounts were still with the external auditor, a representative from which would be attending the September meeting.

9.2 **RESOLVED that:-** The Audit and Governance Committee **NOTE** the Work Programme.

10. DATE OF NEXT MEETING

Monday 13 September at 6.30pm in the Civic Suite, North Warehouse

Time of commencement: 6.30 pm hours

Time of conclusion: 6.55 pm hours

Chair

GLOUCESTER CITY COUNCIL 2020/21 STATEMENT OF ACCOUNTS

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INTRODUCTION

Gloucester City Council

Welcome to the Statement of Accounts 2020/21

I hope you find these accounts interesting and informative. The accounts, together with the accompanying notes, explain the Council's services and how your Council Tax was spent during the year.

The Council continues to provide sound financial management and deliver good value services. The Council remains committed to continuous improvement in all areas and to drive forwards best practice and value for money for the services delivered in Gloucester City.

Our updated Medium Term Financial Plan (Money Plan) provides a clear strategic direction for the Council finances through to 2024/25. We are confident of achieving future savings targets we have set ourselves for to meet the financial pressures placed upon us from reductions in government grant but also to keep Council Tax levels low for our residents.

The City Council's element of the Council Tax for a Band D property was £206.99 for 2020/21. This represents around 11% of an average bill of £1,809.56. The City's Council Tax again provided excellent value for money.

As part of continued improvement in financial management at Gloucester City Council we produced these accounts ahead of the statutory deadline. The early production of these accounts is only possible by having sound financial management processes and a robust system of budget monitoring throughout the year. This reflects the dedication of all finance staff in delivering these improvements both in this and future financial years.

The information contained within these accounts is presented as simply and clearly as possible. However the accounts of such a large and diverse organisation as Gloucester City Council are, by their nature, both technical and complex.

I have structured this narrative statement to enable readers to understand the Council, its operating environment and to assist in the understanding of the Statement of Accounts.

The sections contained with this narrative statement are:

1. Key facts about Gloucester
2. Key facts about Gloucester City Council
3. A summary of financial performance
4. Non-financial performance
5. An explanation of the financial statements

The 2020/21 statement of accounts will be published in July 2021.

Finally a thank you to you, the reader, for showing an interest in the Council's finances. If you would like to know more about the Council's finances please do not hesitate to contact us at the address below.

Jon Topping

Head of Policy and Resources (Section 151 Officer)

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NARRATIVE REPORT

NARRATIVE REPORT

1. Introduction

The Statement of Accounts presents the financial position of the Council for the year ended 31 March 2021. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice. This report provides a brief explanation of the financial aspects of the Council's activities and a guide to the significant matters reported in the accounts.

The Narrative Report provides information about Gloucester City Council and the key issues affecting the Council and its accounts, including a summary of its financial position at 31st March 2021.

2. An Introduction to Gloucester City

Gloucester City is a district council in the County of Gloucestershire with one parish council, Quedgeley Town Council. The City shares its borders with Stroud District Council, Forest of Dean District Council and Tewkesbury Borough Council. Gloucester, the county City, has plenty on offer and is everything you'd expect from a vibrant, multi-cultural British City.

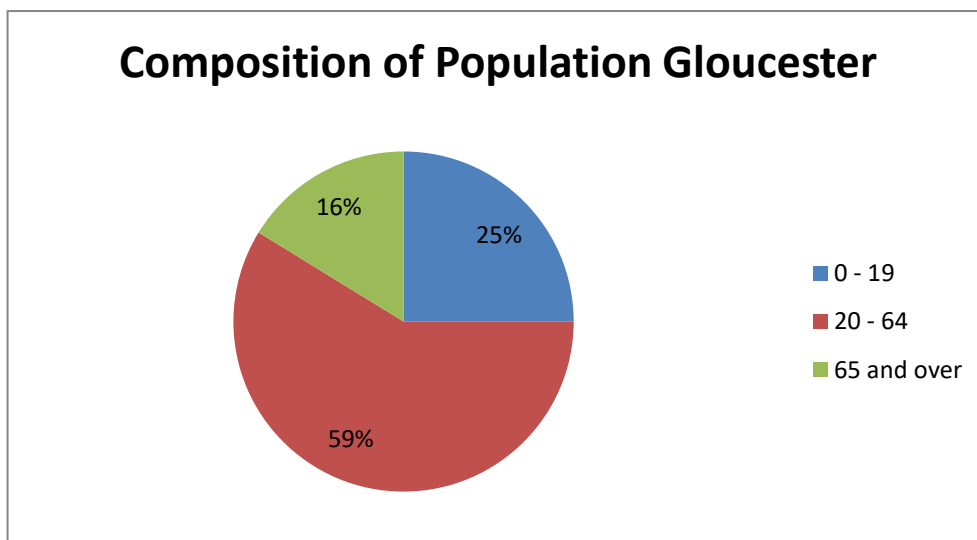
It has one of the richest heritage offerings in the country, from its time as a Roman colony, to one of the three most important medieval cities in England, then its development into an industrial centre. It is home to one of the finest medieval buildings in the country: the breath-taking cathedral which has formed the backdrop of many scenes in Doctor Who and Harry Potter films.

The famous Kingsholm stadium, home of Gloucester Rugby Club, is renowned for hosting world class rugby with the club one of the leading clubs in the country and part of the premiership. The historic docks have seen a stunning regeneration in recent years, delivering a retail outlet centre, great leisure and catering offerings, and superb riverside accommodation.

The City has many cultural offerings, hosting the Tall Ships festival, the Three Choirs Festival, several museums and the Guildhall music and performance venue.

Today, Gloucester is undergoing something of a modern day renaissance, rediscovering and celebrating its rich history. The regeneration of the docks, Bakers Quay, the Kings Quarter, the Greater Blackfriars area and other once-neglected areas of the City has brought in significant investment.

The profile of the local population is an important factor in the services the Council provides. The Office for National Statistics Mid-Year Estimates for 2019 reported that Gloucester's estimated population was 129,310 with the age profile as presented below.



NARRATIVE REPORT

3. About Gloucester City Council

Gloucester City Council is a multifunctional and complex organisation. Its policies are directed by the political leadership and implemented by the Senior Management Team and Officers of the Council. The following section describes the political and management structures of the Council.

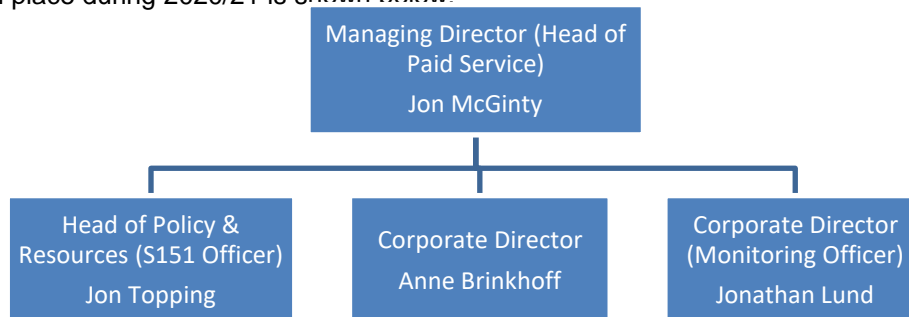
In 2020/21 Gloucester had 18 wards. Residents of the City were represented by 39 Councillors during 2020/21, the Council hold elections every four years the last being in May 2016.

The political make up of the Council for 2020/21 was:

Party	No of Councillors
Conservative Party	18 Councillors
Labour Party	8 Councillors
Liberal Democratic Party	9 Councillors
Independant	2 Councillor
Vacant Seats	2 Vacant

At the end of 20/21 there was no overall control of the Council with a Conservative party administration. Representatives from Conservative, Labour, Liberal Democrat and independent parties hold seats on the Council.

The Council employs a work force of approximately 224 staff to manage and deliver services to residents under the direction of the Senior Management Team. The senior management structure and statutory officers in place during 2020/21 is shown below:



The Council provides a wide range of services to residents, through direct provision, joint working, strategic partnerships and through third parties.

Detailed below are posts held during 2020/21:

Mayor and Deputy Mayor in the 2020/21 Municipal Year

Mayor - Councillor K Haigh

NARRATIVE REPORT

3. About Gloucester City Council (Continued)

Cabinet in 2020/21

Leader of the Council and Cabinet Member for Environment -
Councillor R Cook
Deputy Leader of the Council and Cabinet Member Performance and Resources -
Councillor H Norman
Cabinet Member Communities and Neighbourhoods - Councillor J Watkins
Cabinet Member Planning & Housing Strategy - Councillor A Gravells
Cabinet Member Culture & Leisure - Councillor S Morgan
Cabinet Member Economic Recovery & Growth - Councillor D Melvin

Chair of Committees in 2020/21

Licensing Committee - Councillor C Walford
Overview and Scrutiny Committee - Councillor T Coole
General Purposes Committee - Councillor K Williams
Planning Committee - Councillor G Taylor
Audit and Governance Committee - Councillor D Wilson

Chief Officers in 2020/21

Managing Director (Head of Paid Service) - Mr J McGinty
Corporate Director - Mrs A Brinkhoff
Corporate Director (Monitoring Officer) - Mr J Lund
Head of Policy & Resources (Section 151 Officer) - Mr J Topping

4. A summary of Financial Performance

The COVID19 global pandemic has had an impact of the financial performance of the Council during 2020-21 and this impact is reflected in the financial outturn position. The impact of the pandemic in year saw significant increases in expenditure for the Council in supporting residents and businesses in the city. Monthly returns to government were made and grant funding was received to manage these additional costs. However the council was also impacted on significant losses of income from both sales fees and charges (for example parking & cultural services) and significant losses from commercial income. The council have been able to claim approximately 71% of the lost fees and charges income through the government compensation scheme. No support was given to lost commercial income.

A further impact as a result of the pandemic is within the Council's reserves at the end of this financial year. The reserves include a Collection Fund Timing reserve for the surplus on business rates Section 31 grant of £8.930m received by the council to compensate for the loss of business rates income as a result of the extended retail relief grant to retail hospitality and leisure businesses and nursery providers to support them through the pandemic. The legislation that covers the Collection Fund accounting means the related deficit as a result of the loss of business rates income in this year will not be charged to the General Fund until 2021/22. As a result this has been transferred to this reserve and will be drawn down in 2021/22.

The spending review 2020 announced in Nov 20, will cover one year only, this will fundamentally be a roll forward of the current settlement with a new three-year Spending Review now expected 22/23. The Councils future financial planning will reflect the expected implications.

The 2020/21 budgeting process was influenced by the on-going need to make savings and efficiencies while still delivering council services to the residents of the city. The net budget requirement of £13.744m was approved by Cabinet and Council in February 2020. The Money Plan (www.gloucester.gov.uk/council/performance-and-spending/budget-and-finance/Pages/5-Year-Money-Plan.aspx) identified no targeted reductions in 2020/21. The Money Plan included an increase in Council Tax of £5 which resulted in an income from Council Tax of £7.940m.

In producing the Money Plan for 2020-21 to 2024-25 the aim was to align the objectives set out in the Council Plan 2017-20. The net revenue budget approved by Council in February was £13.744m. The actual net expenditure for the year was £13.866m including transfers to and from earmarked reserves. The outturn position has seen a £122k decrease in the General Fund.

NARRATIVE REPORT

4. A Summary of Financial Performance (Continued)

Service	2020/21		Year End
	Budget	Outturn	Variance
	£000	£000	£000
Internal Audit	194	168	(26)
Financial and Corporate	834	1,183	348
Business Support	430	382	(48)
Revenues and Benefits Admin	913	1,142	229
Housing Subsidy	(377)	523	900
Parking	(1,276)	25	1,301
Asset Management	962	933	(28)
Commercial Property	(2,729)	(5,110)	(2,381)
IT	1,556	1,899	343
Human Resources	262	303	41
Communications	90	86	(4)
Legal Services	399	454	55
Contact Centre and Customer Services	464	441	(23)
Democratic Services	833	758	(75)
Economic Development	199	192	(7)
Licensing	(140)	(112)	28
Markets and Street Trading	(129)	57	187
Museums	528	524	(5)
Food and Drink	356	632	276
Guildhall	67	212	145
Aspire Client	(30)	284	314
Destination Marketing	195	223	28
Waste and Streetcare	4,244	4,985	741
Neighbourhood and Parks Management	401	492	92
Countryside	111	111	0
Climate Change and Environment	252	238	(14)
Environmental Health	45	68	23
Cemetery and Crematorium	(1,464)	(1,130)	334
Heritage	115	161	46
Senior Management	435	595	160
Voluntary Sector Grants	135	162	27
Community Strategy and Other Projects	854	664	(190)
Homelessness	1,194	1,016	(178)
Shopmobility	54	57	3
Health and Safety	3	3	0
Private Sector Housing	(90)	(38)	51
Planning	406	328	(78)
Community Infrastructure Levy	0	(0)	(0)
Transformation	0	230	230
Land Charges	(101)	(96)	5
Total Service Expenditure	10,195	13,045	2,851

As identified in the table below a final position of an overspend of £0.122m compared to a budgeted overspend of £0.48.

Service	2020/21		Year End
	Budget	Outturn	Variance
	£000	£000	£000
Interest Income	(719)	(625)	94
Interest Expenditure	2,045	3,931	1,886
Minimum Revenue Provision	510	870	360
Corporate Pension Contribution	2,332	3,101	769
Other	0	0	0
Total Corporate Costs	4,168	7,277	3,109
Transfer to / (from) General Fund	(48)	(122)	74

NARRATIVE REPORT

4. A Summary of Financial Performance (Continued)

The expenditure was financed by sources of funding as detailed in the table below:

Service	2020/21 Budget	Year End Position	Variance
Council Tax Funding	8,110	7,964	(146)
Retained Business Rates	5,142	5,534	392
Revenue Support Grant	87	87	0
New Homes Bonus	976	976	0
Council Tax s31 Grants	0	1,145	
Covid-19 related Grants	0	4,495	4,495
Total Funding	14,315	20,200	4,741

The main variances relate to essentially one off items being as follows:

1. Covid-19 related grants - support grants and loss of SFC income grants
2. The impact of Covid-19 in the financial year
3. Additional income from Commercial Property purchased in 2019/20
4. Additional financing costs associated with Commercial Property
5. Additional s31 Grant received for Council Tax

The gross cost of service provision amounts to £106.583m and this has been analysed by type as shown in the table below:

Expenditure Type	2020/21 £000	2019/20 £000
Employee Expenses	8,480	10,081
Other Service Expenses	55,753	59,597
Other Operating Expenditure	9,431	5,426
Capital charges and investment property expenditure	15,590	21,519
Business rates expenditure	17,329	16,931
Gross Cost of Services	106,583	113,554

The Council received gross income of £89.223m and this is analysed in the table below:

Income Type	2020/21 £000	2019/20 £000
Government Grants	33,420	33,463
Income from Council Tax, Business Rates and non-specific grant income	40,338	35,497
Fees, Charges & Other Service Income	16,521	18,531
Interest and Investment property income and other operating income	628	1,732
	90,907	89,223

NARRATIVE REPORT

4. A Summary of Financial Performance (Continued)

The capital budget was approved by Cabinet and Council in February 2020, with subsequent approvals bringing the final capital budget to £9.382m for 2019/20. Capital expenditure for 2020/21 was £6.749m.

There was an underspend on the revised capital budget in 2020/21 compared to budgeted expenditure of £2.6m, these underspends were the result of expenditure on projects within the approved five year capital programme which has moved to subsequent years.

A summary of the capital expenditure is shown below. Of the £6.749m spend, £5.536m added to the value of the Council's fixed assets, and the balance was written off in year to the Income and Expenditure Account as revenue expenditure funded from capital under statute. The sources of funding for the Council's capital expenditure in 2020/21 are shown below:

Capital Expenditure	£000
Kings Square development	1,367,939
Kings Quarter - The Forum	17,065
GWR - Railway Improvements	461,153
Kings Walk Shopping Centre	2,162,468
City Centre Improvement Fund	72,500
GCC Building Improvements	353,115
ICT Projects	35,057
Housing projects	1,298,982
Drainage and Flood Protection Works	94,679
Horsbere Brook Local Nature Reserve works	2,054
Play Area Improvement Programme	45,323
Crematorium Improvements	102,237
Grant Funded Projects	606,959
Robinswood Hill (Ranger Barns)	129,575
	6,749,105

The table below shows how the Council financed its capital expenditure:

Source of Funding	£000
Usable Capital receipts	467
Grants	4,203
Borrowing	1,579
Revenue	500
	6,749

NARRATIVE REPORT

5. Accounting Issues and Developments

Pension Fund Deficit

The Council's share of the deficit on the Pension Fund, as at 31 March 2021, has increased from £56.134m to £58.366m see note 41 for further details.

6. A Summary of Non-Financial Performance

In response to the on-going challenges facing local government and Gloucester City Council the Council Plan 2017-20 and the Money Plan 2019-24 have been developed to ensure the Council's strategic objectives and priorities are met. As a result of the COVID19 pandemic the Council plan was extended to 2021 due to the cancellation of elections in May 2020.

Gloucester has a clearly defined vision: "**A City that Works for Everyone**"

The following Core Values will guide how we go about this work:

Efficiency and value for money – we will strive to provide great services that are affordable for all

Forward thinking with innovation – we will adopt an entrepreneurial approach to find new and better ways to do things

Making residents lives better – we will support our communities to use their own strengths and assets while providing universal services and supporting our most vulnerable residents

Passionate about the City – our enthusiasm for, and pride in, Gloucester will be at the heart of everything we do

Working together to make it happen – we will build strong and trusted relationships with communities and partner organisations to achieve the best outcomes for our residents

The Council Plan 2017-2020 contains four key priorities, as detailed below:

PRIORITY 1: WORKING TO CREATE A VIBRANT AND PROSPEROUS CITY

We will deliver on key regeneration priorities in the city centre and beyond.

We will work with stakeholders and developers to bring vacant sites and buildings back into use.

We will support the Culture Board to deliver the city's Cultural Strategy.

We will work with GFirst Local Enterprise Partnership and other partners to attract inward investment, new businesses and jobs into the City.

PRIORITY 2: WORKING TO MAINTAIN A SAFE AND ATTRACTIVE CITY

We will work with our partners and local businesses to ensure a safe and attractive city centre.

We will use the City Centre Investment Fund and other funding sources to implement a range of projects and public realm improvements to enhance the city centre environment.

We will take robust action against environmental crimes and introduce City Centre Wardens to help keep our streets safe and clean.

We will increase community involvement in the management of open spaces.

PRIORITY 3: WORKING TO BUILD STRONG AND RESILIENT COMMUNITIES

We will continue to invest in community building.

We will promote community cohesion and tackle crime and anti-social behaviour.

We will continue to work with stakeholders to meet the city's housing needs.

We will work with our health and wellbeing partners.

PRIORITY 4: WORKING TO PROVIDE GREAT SERVICES THAT ENSURE VALUE FOR MONEY

We will reshape how the council works.

We will manage our shared and outsourced services robustly to ensure value for money.

NARRATIVE REPORT

6. A Summary of Non-Financial Performance (Continued)

Key achievements during 2020/21 include:

- Partnership with GCH to provide 9 units of flexible family accommodation.
- Partnership with GCH and P3 to deliver 37 units of supported accommodation.
- Work in partnership with VCS and residents to deliver the help hub on a local level and support residents during the pandemic.
- Distribute Business support and community grants to the value of £19m to respond to the pandemic.
- Improve the digital access elements of council services to improve the efficiency of the Customer Service Team.
- Positive delivery of the year 1 action plan of the Housing, Homelessness and Rough Sleeping Strategy
- Footfall was down across cultural and sporting venues owing to enforced closure during the 3 national lockdowns.
- Museum of Gloucester, Guildhall and Aspire sports facilities were able to open capacity reduced to enable social distancing
- Cultural Recovery Funds were received to support Guildhall, Cinema and Museum of Gloucester, Sports Recovery for Aspire.
- Guildhall cinema seating installed and interior redecorated along with redecoration of Café/Bar area
- Blackfriars weddings and events mostly postponed, although a few went ahead on limited capacity
- Festivals and events – delivery limited by postponements and cancellations
- Destination marketing activity delivered campaigns to support the safe return to Gloucester of key messages
- New Visit Gloucester website created
- Shopmobility operated on reduce hours in response to reduced demand during 2020-21
- Museum Development Plan completed
- Cultural Strategy updated for 2021-26
- Development Funding Agreement put in place and Council approval for the delivery of the Forge, the redevelopment of Kings Quarter.
- Retention of Purple Flag Status.

[Performance Report](#)

NARRATIVE REPORT

7. Significant Changes in Accounting Policies

There have been no significant changes to accounting policies in the financial year. The service breakdown included in the Comprehensive Income and Expenditure Statement is now broken down by the Council's own portfolio structure which now excludes recharges of costs between portfolios. Within the core financial statements there is an Expenditure and Funding Analysis which provides a reconciliation between the figures in the Income and Expenditure Statement to the Council's own Outturn Report.

Further Information

Further details of the accounts can be obtained from the Head of Policy & Resources, Herbert Warehouse, The Docks, Gloucester, GL1 2EQ. Tel. (01452) 396242. A statement of the accounting policies used is shown on pages 16-24 and a glossary explaining some of the technical terms used is included on pages 77-80.

Jon Topping
Head of Policy & Resources (Section 151 Officer)

EXPLANATION OF THE FINANCIAL STATEMENTS

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained below:

Statements to the Accounts

Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the Authority and the Chief Finance Officer (Head Policy and Resources).

Auditor's Report gives the auditor's opinion of the financial statements and of the authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Core Financial Statements

Movement in Reserves 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.

Comprehensive Income and Expenditure Statement including the Expenditure and Funding Analysis shows the cost of providing services in the year in accordance with International Financial Reporting Standards. The Expenditure and Funding Analysis reconciles this to the amount chargeable to the General Fund reserve in the year.

Balance Sheet shows the Council's financial position on 31 March 2021. It shows the balances and reserves at the Council's disposal at that date, and summarises the fixed and current net assets employed in carrying out the Council's functions.

Cash Flow Statement shows the changes in the Council's cash and cash equivalents 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 way of taxation and grant income, or by the recipients of services provided. 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. Cashflows arising from financing activities are useful when predicting claims on future cashflows to the Council by providers of capital, i.e. borrowing.

Supplementary Statements

Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to precepting bodies. For Gloucester, the Council Tax precepting bodies are the Police and Crime Commissioner for Gloucestershire and Gloucestershire County Council.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's responsibilities

The Council is required to:

- * Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Policy & Resources (Section 151 Officer);
- * Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- * To approve the Statement of Accounts.

Responsibilities of Head of Policy & Resources (Section 151 Officer)

The Head of Policy & Resources (Section 151 Officer) is responsible for the preparation of the Council's statement of accounts in accordance with proper practices, as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing the statement of accounts, the Head of Policy & Resources (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 Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's [and the Group's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority [and the Group] will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

The Statement of Accounts presents a true and fair view of the financial position of Gloucester City Council at 31 March 2021 and its income and expenditure for the year ended on that date.

STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

1 GENERAL PRINCIPLES

This Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its financial position at 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 to be prepared in accordance with proper accounting practices. These practices, primarily, comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service Reporting Code of Practice 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.

2 ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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 as income and expenditure on the basis of the effective interest rate for relevant financial instruments 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 against revenue for the income that might not be collected.

3 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 investments that mature in three months or less 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.

4 EXCEPTIONAL ITEMS

When items of income and expense are material their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES, 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.

6 CHARGES TO REVENUE AND NON-CURRENT ASSETS

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service 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 based on 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 by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

STATEMENT OF ACCOUNTING POLICIES

7 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 entitlements (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 the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits 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 a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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 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.

Post Employment Benefits - Pensions

Employees of the Council are eligible to be members of the Local Government Pension Scheme (LGPS) administered by Gloucestershire County Council. The Scheme provides defined benefits (retirement lump sums and pensions) to members earned as the employees work for the Council. The cost of retirement benefits is calculated by the Pension Fund Actuary and is recognised in the Income and Expenditure Statement when these benefits are earned by employees, rather than when lump sums and contributions to the Pension Fund are made.

The LGPS is accounted for as a defined benefit scheme as follows:

- The liabilities of the LGPS 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% based on the indicative rate of return on the adoption of the AA corporate bond basis. This is at the IAS19 valuation date, subject to removal of recently re-rated bonds from the index.
- The assets of the LGPS attributable to the authority are included in the Balance Sheet at their fair value as follows:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unlisted securities – current bid price; and
 - 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 revenue accounts of services for which the employees worked.
- **Past service cost** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- **Net interest on the defined benefit liability i.e. net interest expense for the authority** - the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in 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 - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- **The return on plan assets** - excluding amounts included in net interest on the net defined liability- credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Gains/losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Statement as part of Non Distributed Costs.
- **Actuarial gains and losses** - changes in the net pensions 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.

STATEMENT OF ACCOUNTING POLICIES

13 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 where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being 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 is not 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 relevant 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, to the Capital Receipts Reserve.

14 INTEREST IN COMPANIES AND OTHER ENTITIES

The Council has material interests in companies and other entities that are defined as subsidiaries, associates and jointly controlled entities which require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

15 INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

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.

16 INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. Revaluation and disposal gains and losses, however, are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

17 LEASES

Leases are classified as finance leases where 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 buildings 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 leases is 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 which reduces the lease liability, and
- 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).

STATEMENT OF ACCOUNTING POLICIES

7 EMPLOYEE BENEFITS (Continued)

Contributions paid to the LGPS - cash paid as employer's contributions to the pension fund in settlement of liabilities. This is not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be 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 appropriations to and from the Pensions 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.

8 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 are not reflected in the Statement of Accounts.

9 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.

Gains and losses on the repurchase or early settlement of borrowings are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. Where repurchase, however, has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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. The 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 into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables 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 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 loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or 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 present value of the revised future cash flows discounted at the asset's original effective interest rate. 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 Comprehensive Income and Expenditure Statement.

STATEMENT OF ACCOUNTING POLICIES

9 FINANCIAL INSTRUMENTS (continued)

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, 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. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

10 FOREIGN CURRENCY TRANSLATION

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

11 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, and
- 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 contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the 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 transferred from the General Fund Balance to the Capital Grants Unapplied reserve, if the funds have not been spent, or the Capital Adjustment Account, if the funds have been used to finance capital expenditure, in the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

12 HERITAGE ASSETS

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of the heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

The Council's heritage assets are included in the Balance Sheet at their insurance valuation which is based on market values. These insurance valuations are updated on an annual basis. Heritage assets are considered by the Council to have indeterminate lives and it does not consider it appropriate to charge depreciation.

Community assets (including parks but excluding archaeological sites), cemeteries and crematoria (land only) and allotments, where there are restrictions on alternative uses, are not heritage assets and are reflected as community assets and included in property, plant and equipment.

The carrying values of heritage assets are reviewed where there is any indication that an asset may be impaired. Any impairment is recognised and measured in accordance with the Council's general policies on impairment - refer accounting policy note 13.

In the unlikely event of the disposal of heritage assets, the proceeds are accounted for on a similar basis to disposals of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the accounts and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

STATEMENT OF ACCOUNTING POLICIES

17 LEASES (continued)

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 benefitting from the use of the leased asset. Charges are made on the straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if 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 item of property, plant and 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 is written-off to the Other Operating Income and 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 are apportioned between:

- A charge for acquisition of the interest in the property- applied to write-down the lease debtor (together with any premiums received) and;
- 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 leased 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 in the Movement in Reserves Statement. 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. if 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.

18 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

19 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The following de-minimis limits are applied by the Council in recognising assets:

- Cost of an individual asset in excess of £6,000.
- A group of assets having a total cost in excess of £6,000 with an individual cost of more than £250 where the assets are functionally interdependent, have broadly simultaneous purchase dates and are under single managerial control.
- Costs associated with the initial equipping and set-up costs of a new building or significant refurbishment irrespective of their individual or collective cost.

STATEMENT OF ACCOUNTING POLICIES

19 PROPERTY, PLANT AND EQUIPMENT (Continued)

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 – at depreciated historical cost.
- 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 the highest and best use from a market participant's perspective.
- All other assets – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the 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 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.

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.

Component accounting

Component accounting thresholds have been set as the lower of:

- * Component assets over £350,000 (2019/20 £350,000) in value; or
- * Component assets value at least 20% of the overall asset value.

The component asset is only recognised at the point of valuation of the overall asset.

The 2020/21 valuation identified no assets meeting the component accounting thresholds. The same position was found for 2019/20.

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 as follows:

- 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 and thereafter to the relevant service line in the Comprehensive Income and Expenditure Statement.
- 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, and thereafter to the revaluation reserve.

Depreciation

Depreciation is provided for 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 on assets acquired commences with effect from 1 April in the next financial year.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line over the useful life of the property.
- Vehicles, plant, furniture and equipment – straight-line over the useful life of the asset.
- Infrastructure and community assets – straight-line over the useful life of the asset.

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 previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

STATEMENT OF ACCOUNTING POLICIES

19 PROPERTY, PLANT AND EQUIPMENT (continued)

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 receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council'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 non-current 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.

20 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 from another party (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 Council's control. 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 Council's control.

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.

21 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, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

22 REVENUE AND EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that 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 that there is no impact on the level of Council Tax.

STATEMENT OF ACCOUNTING POLICIES

23 VAT

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

24 GROUP ACCOUNTS

The Code states that Group Accounts shall be prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies of the Subsidiaries, Associates and Jointly Controlled Entities shall align with the policies of the Council, for the purpose of Group Accounts, where materially different. Such adjustments that are necessary to align the group accounting policies are made as Consolidation adjustments.

Interests in Companies and Other Entities

The Council has material interests in companies and other separate entities that have the nature of being subsidiaries, joint ventures and Associates and require it to prepare Group Accounts.

Basis of Consolidation

The Group Accounts consolidate the Council's accounts with those of Gloucestershire Airport Ltd, in which the Council has a 50% shareholding (the remaining 50% is owned by Cheltenham Borough Council). Certain entities in which the Council has an interest have not been included in the group accounts as the impact of incorporating these into the group accounts is considered to be immaterial.

Accounting Policies

The Group Accounts are prepared in accordance with the policies set out above, with the following additions and exceptions:-
The financial statements for Joint Ventures, Associates and Subsidiaries have been prepared under the historical cost convention (except certain items that are shown at fair value) in accordance with the Financial Reporting Standard 102 (FRS102).

Since Investment Property and Property, Plant and Equipment (PPE) assets held by the airport have been valued at fair value no adjustments are required to the value of non-current assets on consolidation with the Council's accounts.

CORE FINANCIAL STATEMENTS

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL MOVEMENT IN RESERVES STATEMENT For the years ended 31 March 2020 & 2021

(i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	6,241	479	6,437	13,157	1,938	15,095
Movement in Reserves during 2019/20						
Total Comprehensive Income and Expenditure	(26,610)	-	-	(26,610)	18,428	(8,182)
Adjustments between accounting basis and funding basis under regulation (Note 6)	25,903	(287)	(2,705)	22,911	(22,911)	-
Increase/(Decrease) in 2019/20	(707)	(287)	(2,705)	(3,699)	(4,483)	(8,182)
Balance at 31 March 2020	5,534	192	3,732	9,458	(2,545)	6,913
Movement in Reserves during 2020/21						
Total Comprehensive Income and Expenditure	(15,676)	-	-	(15,676)	2,426	(13,250)
Adjustments between accounting basis and funding basis under regulation (Note 6)	25,341	44	(1,105)	24,280	(24,280)	-
Increase/(Decrease) in 2020/21	9,665	44	(1,105)	8,604	(21,854)	(13,250)
Balance at 31 March 2021	15,199	236	2,627	18,062	(24,399)	(6,337)

The General Fund Balance includes £8.9m surplus on Business Rates Section 31 grants received by the Council to compensate for the loss of Business Rates income as a result of the extended retail relief given to retail hospitality and leisure businesses and nursery providers to support them through the pandemic. The legislation that governs Collection Fund accounting means the related deficit as a result of the loss of Business Rates income in year will not be charged to the Council's General Fund until 2021/22. As a result, the £8.9m has been transferred to the Collection Fund Timing Reserve and will be drawn down to offset the deficit in 2021/22; these resources are not available funds.

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP MOVEMENT IN RESERVES STATEMENT For the years ended 31 March 2020 & 2021

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement.

	2020			2021			Total Group Reserves
	Council	Council's Share of Subsidiaries, Joint Ventures and Associates	Total Group	Council	Council's Share of Subsidiaries, Joint Ventures and Associates	Total Group	
	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2019	13,157	(1,458)	11,699	1,938	12,017	13,955	25,654
Movement in Reserves during 2019/20							
Total Comprehensive Income and Expenditure	(26,610)	312	(26,298)	18,428	136	18,564	(7,734)
Adjustments between company reserves	-	(380)	(380)	-	380	380	-
Adjustments between accounting basis and funding basis under regulation	22,911	-	22,911	(22,911)	-	(22,911)	-
Increase/(Decrease) in 2019/20	(3,699)	(68)	(3,767)	(4,483)	516	(3,967)	(7,734)
Balance at 31 March 2020	9,458	(1,526)	7,932	(2,545)	12,533	9,988	17,920
Movement in Reserves during 2020/21							
Total Comprehensive Income and Expenditure	(15,676)	172	(15,504)	2,426	2,037	4,463	(11,041)
Adjustments between company reserves	-	(605)	(605)	-	605	605	-
Adjustments between accounting basis and funding basis under regulation	24,280	-	24,280	(24,280)	-	(24,280)	-
Increase/(Decrease) in 2020/21	8,604	(433)	8,171	(21,854)	2,642	(19,212)	(11,041)
Balance at 31 March 2021	18,062	(1,959)	16,103	(24,399)	15,175	(9,224)	6,879

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL EXPENDITURE AND FUNDING ANALYSIS For the year ended 31 March 2021

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (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 authorities 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 services. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20					EXPENDITURE AND FUNDING ANALYSIS	2020/21				
General Fund Outturn excluding earmarked reserve movement	Adjusted for Movement on Earmarked Reserves	Expenditure Chargeable to the General Fund Balance	Adjustment between the funding and accounting basis (note 28)	Net Expenditure in the Comprehensive Income and Expenditure Statement		General Fund Outturn excluding earmarked reserve movement	Adjusted for Movement on Earmarked Reserves	Expenditure Chargeable to the General Fund Balance	Adjustment between the funding and accounting basis (note 28)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
1,605	(45)	1,650	(1,028)	2,678	Communities and Neighbourhoods	1,402	13	1,389	(876)	2,265
1,327	-	1,327	(229)	1,556	Culture	1,767	(73)	1,840	(302)	2,142
4,590	59	4,531	(622)	5,154	Environment	5,689	46	5,643	(440)	6,083
549	-	549	(232)	781	Housing and Planning	654	213	441	(722)	1,163
6,238	282	5,956	(1,106)	7,062	Performance and Resources	973	(335)	1,308	(689)	1,997
(3,887)	(1,072)	(2,815)	(3,664)	850	Regeneration and Economy	(3,202)	(197)	(3,005)	(3,645)	640
10,422	(776)	11,198	(6,881)	18,081	Net Cost of Services	7,283	(333)	7,616	(6,674)	14,290
(10,250)	241	(10,491)	(19,020)	8,529	Other Income and Expenditure	(7,160)	10,121	(17,281)	(18,667)	1,386
172	(535)	707	(25,901)	26,610	(Surplus) or Deficit	123	9,788	(9,665)	(25,341)	15,676
					Opening General Fund balance including earmarked reserves at 1st April			5,534		
					Add surplus / (deficit) in year			9,665		
					Closing General Fund balance including earmarked reserves at 31 March			15,199		

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

For the year ended 31 March 2021

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 the Movement in Reserves Statement.

Description	2020/21			2019/20
	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
	£000	£000	£000	£000
Communities and Neighbourhoods	5,215	(2,950)	2,265	2,678
Culture	2,252	(109)	2,143	1,556
Environment	10,575	(4,492)	6,083	5,154
Housing and Planning	1,890	(727)	1,163	781
Performance and Resources	35,653	(33,656)	1,997	7,062
Regeneration and Economy	8,648	(8,007)	641	850
(Surplus) / Deficit on Operations	64,233	(49,941)	14,292	18,081
Other Operating Expenditure (Note 8)	9,431	602	10,033	7,308
Financing and investment income and expenditure (Note 9)	15,590	(1,230)	14,360	19,787
Taxation and Non-specific Grant Income (Note 10)	17,329	(40,338)	(23,009)	(18,566)
(Surplus) / Deficit on Provision of Services	106,583	(90,907)	15,676	26,610
<i>Items that will not be reclassified to the (surplus) or deficit on the provision for services</i>				
(Gains) / Losses on revaluation of Property, Plant and Equipment assets	(13,681)	-	(13,681)	(6,575)
(Gains) / Losses on revaluation of available-for-sale financial assets	1,260		1,260	615
Re-measurement of the net defined benefit liability (Note 41)		9,995	9,995	(12,468)
Other Comprehensive Income and Expenditure	(12,421)	9,995	(2,426)	(18,428)
Total Comprehensive Income and Expenditure	94,162	(80,912)	13,250	8,182

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

For the year ended 31 March 2021

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 the Movement in Reserves Statement.

Description	2020/21			2019/20
	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
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Culture	2,252	(109)	2,143	1,556
Environment	10,575	(4,492)	6,083	5,154
Housing and Planning	1,890	(727)	1,163	781
Performance and Resources	35,653	(33,656)	1,997	7,062
Regeneration and Economy	8,648	(8,007)	641	850
(Surplus)/Deficit on Operations	64,233	(49,941)	14,292	18,081
Other Operating Expenditure (Note 8)	9,431	602	10,033	7,308
Financing and investment income and expenditure (Note 9)	15,590	(1,230)	14,360	19,787
Taxation and Non-specific Grant Income (Note 10)	17,329	(35,843)	(18,514)	(18,566)
Deficit on Provision of Services	106,583	(86,412)	20,171	26,610
Share of the (Surplus)/Deficit on the provision of Services				
Joint Ventures			(196)	(568)
Share of Tax Expenses				
Joint Ventures			23	257
Group Deficit			19,999	26,298
<i>Items that will not be reclassified to the (surplus) or deficit on the provision for services</i>				
(Gains) / Losses on revaluation of Property, Plant and Equipment assets			(13,681)	(6,575)
Actuarial (Gains) / Losses on pension assets / liabilities			9,995	(12,468)
Gain / Loss on revaluation of available-for-sale financial assets			1,260	615
Share of Other Comprehensive Income and Expenditure				
Joint Ventures			537	136
Group Other Comprehensive Income and Expenditure			(1,889)	(18,292)
Total Comprehensive Income and Expenditure			18,110	8,006

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL BALANCE SHEET As at 31 March 2021

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. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves 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'.

	Notes	31/03/2021 £000	31/03/2020 £000
Property, Plant & Equipment	11	104,877	100,364
Investment Property	12	48,627	59,874
Heritage Assets	13	7,004	7,004
Intangible Assets	14	595	1,147
Long term Investments	15,44	9,581	10,842
Long term Debtors	15,19(i)	2,201	2,245
Long term Assets		172,885	181,476
Short term Investments	15	-	21,000
Assets held for Sale	16	4,214	2,500
Inventories	17	15	15
Short term Debtors	15,19	25,811	14,730
Cash and Cash Equivalents	20	5,477	8,302
Current Assets		35,517	46,547
Total Assets		208,402	228,023
Short term Borrowing	15,21(i)	(39,469)	(50,423)
Short term Creditors	15,21	(13,129)	(5,954)
Provisions (<1yr)	22	(1,474)	(1,465)
Current Liabilities		(54,072)	(57,842)
Provisions	22	(136)	(124)
Long term Borrowing	15,21(ii)	(99,592)	(102,534)
Capital Grants Received in Advance	35	(2,375)	(2,990)
Deferred Income		(198)	(1,486)
Other Long term Liabilities	41	(58,366)	(56,134)
Long term Liabilities		(160,667)	(163,268)
Net Assets		(6,337)	6,913
Usable Reserves	23	18,062	9,458
Unusable Reserves	24	(24,399)	(2,545)
Total Reserves		(6,337)	6,913

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP BALANCE SHEET			
As at 31 March 2021			
The group balance sheet has been prepared by combining the Council's share of the net assets of Gloucestershire Airport Ltd (50% of the total, adjusted for revaluations), with the net assets of the Council.			
As a Joint Venture, the Council's share of the net assets and liabilities in Gloucestershire Airport Limited has been included as long-term investment.			
	Note	31/03/2021 £000	31/03/2020 £000
Property, Plant & Equipment	11	104,877	100,364
Investment Property	12	48,627	59,874
Heritage Assets	13	7,004	7,004
Intangible Assets	14	595	1,147
Long term Investments	15,44	9,487	9,142
Long term Debtors	15,19(i)	2,201	2,245
Investment in Joint Venture		13,310	12,707
Long term Assets		186,101	192,483
Short term Investments	15	-	21,000
Assets held for Sale	16	4,214	2,500
Inventories	17	15	15
Short term Debtors	15,19	25,811	14,730
Cash and Cash Equivalents	20	5,477	8,302
Current Assets		35,517	46,547
Total Assets		221,618	239,030
Short term Borrowing	15, 21(i)	(39,469)	(50,423)
Short term Creditors	15,21	(13,129)	(5,954)
Provisions (<1yr)	22	(1,474)	(1,465)
Current Liabilities		(54,072)	(57,842)
Provisions	22	(136)	(124)
Long term Borrowing	15,21(ii)	(99,592)	(102,534)
Capital Grants Received in Advance	35	(2,375)	(2,990)
Deferred Income		(198)	(1,486)
Other Long term Liabilities	41	(58,366)	(56,134)
Long term Liabilities		(160,667)	(163,268)
Net Assets		6,879	17,920
Usable Reserves	23	16,103	7,932
Unusable Reserves	24	(9,224)	9,988
Total Reserves		6,879	17,920

CORE FINANCIAL STATEMENTS

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL CASH FLOW STATEMENT For the year ended 31 March 2021

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 way of 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. No separate group cash flow is presented as there are no differences between the group and Council cash flow.

	Notes	2020/21 £000	2019/20 £000
Deficit on the provision of services		(15,676)	(26,610)
Adjustments in respect of non-cash movements		12,432	17,657
Adjustments in respect of items that are investing and financing activities		(4,391)	994
Net Cash Flows from Operating Activities	25	(7,635)	(7,959)
Net Cash Flows from Investing Activities	26	18,695	(91,828)
Net Cash Flows from Financing Activities	27	(13,885)	102,621
<i>Net Increase/(Decrease) in cash and cash equivalents</i>		(2,825)	2,834
Cash and cash equivalents at the beginning of the year		8,302	5,468
Cash and cash equivalents at the end of the year		5,477	8,302

	2020/21 £000	2019/20 £000
The Balance of Cash and Cash Equivalents and Bank Overdraft		
Cash and Cash Equivalents	5,477	8,302
Balance at 31st March	5,477	8,302



NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

The Code of Practice requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. There are standards which are to be adopted in 2021/22 which may impact upon the Council's accounts.

Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures Property: Transfers of Investment Property. Provides clarity on the transfer of property to, or from investment property, Definition of a Business: Amendments to IFRS3 Business Combinations it is

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.

2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING PRINCIPLES

In applying the accounting policies set out in the Statement of Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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 rental guarantee sum received for the Kings Walk Shopping Centre has been treated as deferred income and is to be released to the Council's General Fund over five years. The sum received was £4.78m. In 2020/21 £781k was released to the General Fund with the remainder being released in upcoming financial years.

3 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. The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £82k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects of the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £11.797 million. The assumptions, however, interact in complex ways. During 2020/21 the Council's actuaries advised that the net pensions liability had decreased by £11.827 million as a direct result of changes to the financial assumptions in the previous year.
Provision for Business Rates Appeals	The Council maintains a provision for outstanding business rates appeals. The provision has been calculated based on the current list of live appeals, using analysis of historical rates of successful appeals and percentage reduction in rateable value.	The Council has calculated the appeals provision based on the possible reduction in rates received. If the % of appeals which were successful increased by 1% across all classes of property, an additional £10k would have to be set aside.
Arrears	At 31 March 2021, the Council had a balance of sundry debtors of £3.626 million. A review of the aged debt profile and recovery percentages suggested that an allowance for doubtful debts of approximately 22.25% is appropriate. In the current economic climate, however, it is not certain that such a provision would be sufficient.	If collection rates were to deteriorate, the provision made for doubtful debts would need to increase based on the actual levels of recovery achieved. It is estimated that a 1% increase in the required provision would result in an increase in the allowance of £36k.

4 MATERIAL ITEMS OF INCOME AND EXPENDITURE

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items should be set out in a note. For Gloucester City Council these include gains and losses arising on asset revaluations and the pensions deficit.

Refer to notes 11, 12 and 16 for details of the revaluation of property, plant and equipment assets.

Details of the pension deficit are included in note 41.

5 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts were prepared on 30 May 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As at the date of Audit committee signing the accounts (31 July 2021) no post Balance Sheet events have been identified.

NOTES TO THE CORE FINANCIAL STATEMENTS

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER THE 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.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance, therefore, summarises the resources that the Council is empowered to spend on its services or capital investment at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

NOTES TO THE CORE FINANCIAL STATEMENTS

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER THE REGULATIONS (Continued)

2020/21 Information

	Usable Reserves £'000		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
Adjustments to the Revenue Resources			
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>			
Pension Costs (transferred to or from Pensions Reserve)	7,755	-	-
Charges for depreciation of non-current assets	(4,824)	-	-
Revaluation losses on Property, Plant and Equipment and assets held for sale	(9,181)	-	-
Movement in the fair value of investment property	(10,203)	-	-
Capital Grants and Contributions	3,880	-	(3,880)
Revenue expenditure funded from capital under statute	(1,281)	-	-
Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account	(12,227)	-	-
Revenue financing of capital expenditure	500	-	-
Holiday Pay transferred to the Accumulated Absences Account	(33)	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(1,108)	-	-
Total adjustments to Revenue Resources	(26,722)	-	(3,880)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	511	(511)	-
Statutory and voluntary provision for the repayment of debt transferred to the Capital Adjustment Account	870	-	-
Total adjustments between Revenue and Capital Resources	1,381	(511)	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance new capital expenditure	-	467	-
Application of capital grants and contributions to fund capital expenditure	-	-	4,985
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-
Total adjustments to Capital Resources	-	467	4,985
Total Adjustments	(25,341)	(44)	1,105

NOTES TO THE CORE FINANCIAL STATEMENTS

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER THE REGULATIONS (Continued)

2019/20 Information

	Usable Reserves £'000		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
Adjustments to the Revenue Resources			
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>			
Pension Costs (transferred to or from Pensions Reserve)	361	-	-
Charges for depreciation of non-current assets	(4,109)	-	-
Revaluation losses on Property, Plant and Equipment and assets held for sale	(7,062)	-	-
Movement in the fair value of investment property	(16,949)	-	-
Capital Grants and Contributions	996	-	(996)
Revenue expenditure funded from capital under statute	(721)	-	-
Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account	894	-	-
Revenue financing of capital expenditure	-	-	-
Holiday Pay transferred to the Accumulated Absences Account	(15)	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	-	-	-
Total adjustments to Revenue Resources	(26,605)	-	(996)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	-	-	-
Statutory and voluntary provision for the repayment of debt transferred to the Capital Adjustment Account	701	-	-
Total adjustments between Revenue and Capital Resources	701	-	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance new capital expenditure	-	290	-
Application of capital grants and contributions to fund capital expenditure	-	-	3,701
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(3)	-
Total adjustments to Capital Resources	-	287	3,701
Total Adjustments	(25,903)	287	2,705

NOTES TO THE CORE FINANCIAL STATEMENTS

7 TRANSFERS TO/(FROM) EARMARKED RESERVES

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

Reserve No.		Balance at	Transfers	Transfers	Balance at	Balance at	Transfers	Transfers	Balance at
		31/03/2020	Out 2020/21	In 2020/21	31/03/2021	31/03/2019	Out 2019/20	In 2019/20	31/03/2020
		£000	£000	£000	£000	£000	£000	£000	£000
General Fund:									
1	Historic Buildings Reserve	53	-	-	53	53	-	-	53
2	Portfolio Reserves	60	-	-	60	60	-	-	60
3	Members Allocation Reserve	1	1	-	1	1	-	-	1
4	Shopmobility Reserve	29	-	-	29	29	-	-	29
5	Regeneration Reserve	23	191	250	82	201	178	-	23
6	Insurance Reserve	10	-	-	10	10	-	-	10
7	Land Adoption Reserve	827	-	46	873	768	-	59	827
8	VAT Shelter Reserve	418	500	242	160	716	550	252	418
9	Business Rates Reserve	974	-	50	1,024	974	-	-	974
10	Trading Development Reserve	-	-	-	-	50	50	-	-
11	Environmental Reserve	1,000	100	-	900	1,000	-	-	1,000
12	Repairs Reserve	-	-	23	23	103	103	-	-
13	Community Builder Reserve	54	-	8	62	85	31	-	54
14	Planning Strategy Reserve	35	-	213	248	35	-	-	35
15	Economic Development Reserve	-	-	-	-	20	20	-	-
16	Flooding Works Reserve	10	-	-	10	10	-	-	10
17	Meet and Greet Reserve	4	-	-	4	4	-	-	4
18	Police Contribution Reserve	-	-	-	-	15	15	-	-
19	Lottery Reserve	20	3	5	22	19	-	1	20
20	Great Places Reserve	93	71	-	22	93	-	-	93
21	Museum Reserve	305	-	-	305	305	-	-	305
22	EU Exit Reserve	17	17	-	-	17	-	-	17
23	Recovery Reserve	100	-	-	100	-	-	100	100
24	MTFP Reserve	-	-	17	17	-	-	-	-
25	Destination Marketing Reserve	-	-	200	200	-	-	-	-
26	Homelessness Reserve	-	-	100	100	-	-	-	-
27	Planning Appeals Reserve	-	-	50	50	-	-	-	-
28	Communities Reserve	-	-	30	30	-	-	-	-
29	Climate Change Reserve	-	-	100	100	-	-	-	-
30	Neighbourhood Spaces Reserve	-	-	100	100	-	-	-	-
31	Defibrillator Reserve	-	-	6	6	-	-	-	-
32	Property Sinking Fund Reserve	-	-	300	300	-	-	-	-
33	Collection Fund timing reserve	-	-	8,930	8,930	-	-	-	-
	Total	4,033	883	10,670	13,820	4,568	947	412	4,033

Reserve

No. Further details of reserve balances

- | | |
|--|--|
| <p>1 <u>Historic Buildings Reserve</u>
refurbishment of historic buildings in the City and will fund an agreed award</p> <p>2 <u>Portfolio Reserves</u>
This reserve is for housing surveys undertaken every three to four years.</p> <p>3 <u>Members Allocation Reserve</u>
The reserve represents the remainder of members individual grant allocations.</p> <p>4 <u>Shopmobility Reserve</u>
Donated funds for shopmobility for use specifically on the shopmobility service.</p> <p>5 <u>Regeneration Reserve</u>
The reserve is intended for the delivery of key regeneration priorities.</p> <p>6 <u>Insurance Reserve</u>
This reserve is intended to cover possible insurance claims not able to be met from the Insurance Provision (see note 22, page 51).</p> <p>7 <u>Land Adoption Reserve</u>
The reserve contains contributions received from developers upon the adoption of open space on housing development. The reserve will be used to fund increased grounds maintenance costs in future years.</p> <p>8 <u>VAT Shelter Reserve</u>
Earmarked for future regeneration and housing projects.</p> <p>9 <u>Business Rates Reserve</u>
A reserve to be used to protect the Council's General Fund from fluctuations in business rates income expected as a result of Fair Funding and Spending</p> <p>11 <u>Environmental Reserve</u>
The Council has ongoing potential environmental liabilities from the housing stock transfer, including potential asbestos work liability and contaminated land.</p> <p>12 <u>Repairs Reserve</u>
The Council has significant exposure to major repairs which are currently unbudgeted and could be a significant risk. This reserve is intended to assist in offsetting potential future liabilities.</p> <p>13 <u>Community Builder Reserve</u>
A reserve to fund future community building work.</p> <p>14 <u>Planning Strategy Reserve</u>
A reserve to meet the future costs of the City Plan review.</p> <p>16 <u>Flooding Works Reserve</u>
This reserve holds fund for use on future flood prevention capital projects.</p> <p>17 <u>Meet and Greet Reserve</u>
The reserve holds funding that the Council has put to one side to fund the Coach Meet and Greet Scheme.</p> | <p>19 <u>Lottery Reserve</u>
This reserve holds funding generated by Gloucester Lottery to be distributed to the voluntary sector.</p> <p>20 <u>Great Place Reserve</u>
This reserve is in place to support Great Place.</p> <p>21 <u>Museum Reserve</u>
This reserve holds funding received via bequest.</p> <p>22 <u>EU Exit Reserve</u>
This reserve holds funding received towards the costs of leaving the European Union.</p> <p>23 <u>Recovery Reserve</u>

This reserve will be used to meet costs associated with COVID-19.</p> <p>24 <u>MTFP Reserve</u>
This reserve was established to provide a buffer with which to deal with the uncertainties in the forward financial planning process arising from changes in the funding for local authorities</p> <p>25 <u>Destination Marketing Reserve</u>
This reserve will meet the delivery of the two year destination marketing plan</p> <p>26 <u>Homelessness Reserve</u>
Reserve will support delivery of the homelessness strategy and implementation of a private landlord scheme</p> <p>27 <u>Planning Appeals Reserve</u>
Reserve will protect the Council against future planning appeals</p> <p>28 <u>Communities Reserve</u>
Reserve future the work of City Safe and Street Aware projects</p> <p>29 <u>Climate Change Reserve</u>
The reserve will contribute to the Councils response to the Climate emergency</p> <p>30 <u>Neighbourhood Spaces Reserve</u>
This reserve will fund improvements to small areas of public open space and community gardens</p> <p>31 <u>Defibrillator Reserve</u>
This reserve will be used to procure defibrillators</p> <p>32 <u>Property Sinking Fund Reserve</u>
This reserve will meet known and future commitments on the Councils property investments</p> <p>33 <u>Collection Fund Timing Reserve</u>
The government granted business rates relief to retail, hospitality and leisure services during 2020/21 and compensated Councils for the reliefs with Section 31 grant. These reliefs must be shown as a deficit on the Councils share of income within the Collection Fund Adjustment account reserve, while grant income must be shown within the Councils General Fund.</p> |
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NOTES TO THE CORE FINANCIAL STATEMENTS

8 OTHER OPERATING INCOME AND EXPENDITURE

	GCC	GCC	Group	Group
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Precepts and Grants paid to parish councils	250	246	250	246
(Gains) / Losses on disposal of non current assets	602	-	602	-
Revaluation losses arising on revaluation of non-current assets	9,181	7,062	9,181	7,062
Total	10,033	7,308	10,033	7,308

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	GCC	GCC	Group	Group
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Interest payable and similar charges	3,930	2,462	3,930	2,462
Interest and Investment property income	(1,230)	(1,732)	(1,230)	(1,732)
Pensions Interest and Expected Return on pensions assets	1,188	1,658	1,188	1,658
Expenditure on investment properties	269	450	269	450
Changes in fair value of investment properties	10,203	16,949	10,203	16,949
Total	14,360	19,787	14,360	19,787

10 TAXATION AND NON-SPECIFIC GRANT INCOME

	GCC	GCC	Group	Group
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Income from the Collection Fund - Council Tax income	(8,550)	(7,908)	(8,550)	(7,908)
Collection Fund (Surplus) / Deficit	12,224	(894)	12,224	(894)
Business rates tariff	16,330	16,069	16,330	16,069
Business rates levy	999	862	999	862
Retained Business Rates	(21,964)	(22,299)	(21,964)	(22,299)
Revenue Support Grant (RSG)	(87)	(85)	(87)	(85)
New homes bonus	(977)	(1,212)	(977)	(1,212)
Business rates Section 31 grant	(11,464)	(1,998)	(11,464)	(1,998)
Other Grants	(1,145)	(105)	(1,145)	(105)
Covid-19 Grants	(4,495)	-	(4,495)	-
Capital Grants	(3,880)	(996)	(3,880)	(996)
Total	(23,009)	(18,566)	(23,009)	(18,566)

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT Movements on Balances

Movements in 2020/21	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2020	87,069	8,076	15,536	10,387	853	743	122,664
Additions	2,693	107	1,672	279	1,247	-	5,998
Revaluation increases/(decreases) recognised in the Revaluation Reserve	11,576	-	-	-	-	62	11,638
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(9,644)	-	-	-	-	-	(9,644)
Derecognition – Disposals	-	-	-	-	-	(495)	(495)
Transfers between classes	(695)	-	(1,578)	32	1,628	-	(613)
Assets Written Off	(610)	(1,289)	-	-	-	-	(1,899)
At 31 March 2021	90,389	6,894	15,630	10,698	3,728	310	127,649
Accumulated Depreciation and Impairment							
At 1 April 2020	7,010	4,756	7,139	3,386	-	9	22,300
Depreciation Charge	2,534	864	495	359	-	11	4,263
Derecognition – Disposals	-	-	-	-	-	(9)	(9)
Assets reclassified as held for sale	-	-	-	-	-	-	-
Other reclassifications	-	-	-	-	-	-	-
Assets Impairment	-	-	-	-	-	-	-
Assets written Off	(40)	(1,237)	-	-	-	-	(1,277)
Transfers between classes	(48)	-	(17)	29	36	-	-
Revaluation	(463)	-	-	-	-	-	(463)
Revaluation Reserve	(2,040)	-	-	-	-	(3)	(2,043)
At 31 March 2021	6,953	4,383	7,617	3,774	36	8	22,771
Net book value as at 31 March 2021	83,436	2,511	8,013	6,924	3,692	302	104,878
Net book value as at 31 March 2020	80,059	3,320	8,397	7,001	853	734	100,364

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (Continued) Movements on Balances

Comparative Figures 2019/20

Movements in 2019/20	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2019	80,061	11,602	14,542	9,909	532	667	117,313
Additions	3,164	185	994	478	321	3	5,145
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,092	-	-	-	-	214	3,306
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(5,990)	-	-	-	-	-	(5,990)
Impairment recognised in the Surplus/Deficit on the Provision of Services	(1,866)	-	-	-	-	-	(1,866)
Transfers between classes	9,032	-	-	-	-	(141)	8,891
Assets Written Off	(105)	(3,711)	-	-	-	-	(3,816)
At 31 March 2020	87,069	8,076	15,536	10,387	853	743	122,664
Accumulated Depreciation and Impairment							
At 1 April 2019	8,983	7,679	6,643	2,987	-	15	26,307
Depreciation Charge	2,054	788	496	399	-	10	3,747
Assets Impairment	(604)	-	-	-	-	-	(604)
Assets written Off	(105)	(3,711)	-	-	-	-	(3,816)
Revaluation	(3,318)	-	-	-	-	(16)	(3,334)
At 31 March 2020	7,010	4,756	7,139	3,386	-	9	22,300
Net book value as at 31 March 2020	80,059	3,320	8,397	7,001	853	734	100,364

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation

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

- Other Land and Buildings – 8-60 years straight-line
- Vehicles, Plant, Furniture & Equipment – 5-10 years straight-line
- Infrastructure and Community Assets – 30-95 years straight-line

The following is a list of the major fixed assets owned by the Council at 31 March 2021.

All assets are owned freehold unless otherwise stated.

Operational assets	Non-operational assets
<p>Other Operational land and buildings Gloucester Leisure Centre 2 Cemeteries and 1 Crematorium Kings Square / Kings Walk shopping centre North Warehouse Kings Theatre HKP warehouses (leasehold) Guildhall 13 Sports Clubs facilities (mixed tenure) Gloucester Life Museum and Museum of Gloucester 2 Multi-storey Car Parks 13 Surface Car Parks (2 leasehold) Eastgate market and Shopping Centre Oxstalls Tennis Centre Hempsted Market Grosvenor House Kings House Depot at Eastern Avenue Barbican House, Commercial Road Bus station</p> <p>Community & Heritage assets Various Parks and open spaces Works of art Museum Exhibits Civic regalia</p> <p>Vehicles, plant and equipment Vehicles and items of plant Computer equipment Sports and playground facilities in parks</p> <p>Infrastructure assets Street furniture Public Conveniences CCTV Lighting</p>	<p>Investment properties Gala Club 16 Shops 50% of Gloucestershire Airport (freehold) The Docks Headlease area including No.3 Albion Cottage (leasehold) Barbican Land Ladybellgate Street land at St Oswalds Blackfriars Inn St Oswalds Retail Park Land Northgate Street Various Garages</p>

Capital Commitments

As at 31st of March 2021, the Council had construction contract commitments of £20,870k. Similar commitments at 31st March 2020 were £563k.

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluations

In the current year the Council has continued with a rolling programme of asset valuations to ensure that all Property, Plant and Equipment required to be measured at fair value are revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations were completed by Internal Specialists and External Consultants. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- That the values will remain static during that period;
- The property would be freely exposed to the open market;
- No account has been taken of any higher price or rental offer that might be made by a purchaser or lessee with a special interest;
- The valuation relates to the freehold or leasehold interest and good freehold or leasehold title can be shown.
- The property and its value are unaffected by any matters which would be revealed by a local search.

Fair Value Measurement

The Council measures its surplus assets, investment properties and assets held for sale at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- a) in the principal market for the asset
- b) in the absence of a principal market, in the most advantageous market for the asset.

The Council uses internal valuers to provide a valuation of its assets in line with the highest and best use definition within the accounting standard Internal Financial Reporting Standard 13 (IFRS 13) - Fair Value Measurement. The highest and best use of the asset being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets are categorised within the fair value hierarchy as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 - unobservable inputs for the asset.

The Council recognises transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer to occur.

12 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	GCC and Group	
	2020/21	2019/20
	£000	£000
Rental income from investment property	(606)	(1,101)
Direct operating expenses arising from investment property	269	450
Net gain	(338)	(651)

The fair value of investment properties has been measured using accepted valuation practice. This approach takes account of quoted prices of similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength of existing tenants and data and market knowledge gained in valuing and managing the Council's asset portfolio. The comparable information used from the market and portfolio is not sufficiently similar for direct comparison to be made and adjustments have to be made to the observable data from these transactions. Inputs are unobservable, investment properties are therefore classed as Level 3 within the fair value hierarchy.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	GCC and Group	
	2020/21	2019/20
	£000	£000
Balance at beginning of the year	59,874	16,493
Additions:		
- Purchases	57	69,221
- Subsequent expenditure	-	-
Net gains/(losses) from fair value adjustments	(10,203)	(16,949)
Adjustment		
Transfers:		
- To/From Property, Plant and Equipment / Surplus Assets		(8,891)
- From Community Assets	-	-
- To/From assets for sale	(1,101)	-
Disposals	-	-
Balance at end of the year	48,627	59,874

NOTES TO THE CORE FINANCIAL STATEMENTS

13 HERITAGE ASSETS

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of the heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

The heritage assets of the Council are located in the two museums, The Museum of Gloucester and The Gloucester Life Museum, as well as the Council's offices for items of civic regalia and other similar items. Both museums maintain all their present collections and where necessary, add to them by purchase, bequest or donation with a particular emphasis on items that are of specific interest to the locality of Gloucester City and surrounding areas. It is not the policy of the museums or the Council to dispose of heritage assets for financial or other reasons. Heritage assets of the museums are managed by the curators who report to the respective museum managers.

The Heritage assets have been classified by the Council's heritage service who have reached the conclusion that the value of the assets is as determined for insurance valuation purposes.

Details of the Council's heritage assets at 31 March 2021 are as follows:

	GCC and Group	
	2020/21	2019/20
	£'000	£'000
Numismatics (including Tokens, Coins, Seals & Dyes)	437	437
2D & 3D Fine & Decorative Arts (including Oil Paintings) & Ceramics	1,848	1,848
Archaeology including Table Set	976	976
Silver	648	648
Domestic life exhibits	314	314
Furniture	273	273
Working life exhibits	187	187
Horological Instruments	309	309
Books	93	93
Blackfriars Priory	-	-
SWRDA Asset Transfer	225	225
Civic Regalia	887	887
Books of Remembrance	50	50
Miscellaneous items	757	757
Total	7,004	7,004
At valuation	7,004	6,779
At cost	-	225
Total	7,004	7,004

The following table summarises the movement in heritage assets during the year:

	GCC and Group	
	2020/21	2019/20
	£000	£000
Balance at beginning of the year	7,004	6,811
Revaluation surplus/(deficit)	-	193
Reclassified to investment property	-	-
Additions	-	-
Balance at end of the year	7,004	7,004

NOTES TO THE CORE FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. Assets are written off on a straight-line basis based on estimated useful lives of 3,4,5,7 and 10 years. Amortisation of newly acquired intangibles commences in the year after they are purchased.

Movements in intangible assets during the year are shown below:

	Computer Software	
	2020/21 £'000	2019/20 £'000
Gross book value at the beginning of the year	4,716	4,350
Additions	9	366
Transfers to/from	-	-
Assets written off	(543)	-
Gross book value at the end of the year	4,182	4,716
Amortisation at the beginning of the year	3,569	3,207
Amortised during year	561	362
Assets written off	(543)	-
Amortisation at the end of the year	3,587	3,569
Net book value at the end of the year	595	1,147

The movement on Intangible Asset balances during the year is as follows:

	2020/21	2019/20
	£000	£000
Balance at the beginning of the year:		
- Gross carrying amounts	4,716	4,350
- Accumulated amortisation	3,569	3,207
- Net carrying amount	1,147	1,143
Movement in 2020/21		
Additions	9	366
Transfers to/from	-	-
Assets Written Off	-	-
Amortisation for the period	561	362
Net carrying amount at the end of the year	595	1,147
Comprising:		
- Gross carrying amounts	4,182	4,716
- Accumulated amortisation	3,587	3,569
	595	1,147

NOTES TO THE CORE FINANCIAL STATEMENTS

15 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	GCC				GROUP			
	Long-term		Current		Long-term		Current	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000	£000	£000	£000	£000
Investments								
Loans and receivables	-	-	-	21,000	-	-	-	21,000
Available-for-sale financial assets	9,487	9,142	-	-	9,487	9,142	-	-
Unquoted equity investment at Fair Value	94	1,700	-	-	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
Total Investments	9,581	10,842	-	21,000	9,487	9,142	-	21,000
Debtors								
Loans and receivables	2,201	2,245	25,811	14,730	2,201	2,245	25,811	14,730
Financial assets carried at contract amounts	-	-	-	-	-	-	-	-
Total Debtors	2,201	2,245	25,811	14,730	2,201	2,245	25,811	14,730
Borrowings								
Financial liabilities at amortised cost	(70,216)	(73,445)	(37,934)	(48,904)	(70,216)	(73,445)	(37,934)	(50,423)
Present Value of Lease liability	(29,376)	(29,089)	(1,535)	(1,519)	(29,376)	(29,089)	(1,535)	(1,519)
Total borrowings	(99,592)	(102,534)	(39,469)	(48,904)	(99,592)	(102,534)	(39,469)	(50,423)
Creditors								
Financial liabilities at amortised cost	-	-	(13,129)	(5,954)	-	-	(13,129)	(5,954)
Financial liabilities carried at contract amount	-	-	-	-	-	-	-	-
Total creditors	-	-	(13,129)	(5,954)	-	-	(13,129)	(5,954)

Income, Expenses, Gains and Losses-GCC

	2020/21					2019/20				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	3,930	-	-	-	3,930	2,462	-	-	-	2,462
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Increases/(Decreases) in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	3,930	-	-	-	3,930	2,462	-	-	-	2,462
Interest income	-	(625)	-	-	(625)	-	(631)	-	-	(631)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases/(Decreases) in fair value	-	-	-	-	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-	-	-
Total Income in Surplus or Deficit on the Provision of Services	-	(625)	-	-	(625)	-	(631)	-	-	(631)
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	1,260	-	1,260	-	-	615	-	615
Net gain/(loss) for the year	-	-	1,260	-	1,260	-	-	615	-	615

NOTES TO THE CORE FINANCIAL STATEMENTS

15 FINANCIAL INSTRUMENTS (Continued)

Fair Values of Assets and Liabilities

Financial liabilities and financial assets, represented by loans and receivables and long-term debtors and creditors, are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2021 are 0.59% to 1.79% for loans from the PWLB and 2.04% to 2.47% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2020/21		2019/20	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities				
Long-term Borrowings	(70,216)	(74,299)	(73,445)	(74,973)
Long-term lease liability	(29,376)	(29,376)	(29,089)	(29,089)
Short-term Borrowings	(37,934)	(37,934)	(48,904)	(48,904)
Short-term Creditors	(13,129)	(13,129)	(5,954)	(5,954)

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date.

	2020/21		2019/20	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets				
Long-term Investments	9,581	9,581	10,842	10,842
Short-term Investments	-	-	21,000	21,000
Long-term Debtors	2,201	2,201	2,245	2,245
Short-term Debtors	25,811	25,811	14,730	14,730

The fair values of Long term Debtors, debtors and loans and receivables are estimated to be approximately equivalent to their amortised cost (cost less provision for bad or doubtful debts).

The long term investment is made up of the investment in the airport joint venture and the £10m investment in units of CCLA property and diversified income funds. The fair values are based on bid prices of 289.08p per unit (£4.622m) and 1.48p per unit (£4.865m) as at year end date applying the Route 1 approach.

The fair values of temporary borrowings and creditors (short term payables) approximate to their amortised cost as shown above.

16 ASSETS HELD FOR SALE (GCC and Group)

	Current		Non-Current	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Balance at the beginning of the year	2,500	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Gain / Loss on revaluation	-	250	-	-
Assets transferred to / from held for sale	613	-	-	-
-Investment property	1,101	2,250	-	-
Balance at the end of the year	4,214	2,500	-	-

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

17 INVENTORIES

	2020/21	2019/20
	£000	£000
Consumable stores		
Balance outstanding at start of year	15	38
Purchased	-	1
Consumed	-	(24)
Balance outstanding at year-end	15	15

18 CONSTRUCTION CONTRACTS

As at 31st of March 2021, the Council had construction contract commitments of £20.870m. Similar commitments at 31st March 2020 were £0.563m.

19 DEBTORS

These are amounts owed to the Council by various bodies and persons and which fall due in less than one year of the Balance Sheet date.

	GCC		Group	
	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000
Central Government bodies	277	1,648	277	1,648
Other Local authorities	5,931	773	5,931	773
Other entities and individuals	19,603	12,309	19,603	12,309
Total debtors	25,811	14,730	25,811	14,730

19(i) Long term Debtors

Long term debtors are amounts falling due in more than one year from the Balance Sheet date.

They consist of the following :-

	GCC and Group	
	2020/21	2019/20
	£'000	£'000
Loans to vulnerable people for house renovations	45	46
Loans to Marketing Gloucester	97	97
10 Year Loan - Gloucestershire Airport Ltd - see below	130	258
Loan to Cheltenham YMCA	1,261	1,281
Loan to Gloucestershire Wildlife Trust	447	492
Loan to Gloucester Airport - Facility Loan	150	-
Other loans	71	71
Total	2,201	2,245

Gloucestershire Airport loan details:

	Current Interest Rate (%)	GCC and Group	
		2020/21	2019/20
		£'000	£'000
10 Year loan			
Balance at 31 March	1.8	258	383
Less: Amount repayable within 12 months included in short-term debtors		(128)	(125)
		130	258
The loan bears interest at 1.8% and is repayable in 6-monthly instalments of £65,831 including interest.			
Total		130	258

Other loans include money spent on essential repairs work to private properties, which have been secured as a charge on the properties concerned ('works-in-default').

20 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	GCC		Group	
	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000
Cash held by the Council	4	4	4	4
Bank current accounts	5,473	8,298	5,473	8,298
Total Cash and Cash Equivalents	5,477	8,302	5,477	8,302

NOTES TO THE CORE FINANCIAL STATEMENTS

21 SHORT-TERM CREDITORS

	GCC		Group	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Central Government Bodies	7,591	259	7,591	259
Other Local Authorities	824	981	824	981
Other Entities & Individuals	381	122	381	122
Council Taxpayers	167	143	167	143
Business Ratepayers	518	250	518	250
Deferred Income	668	701	668	701
Sundry creditors	2,980	3,498	2,980	3,498
Total	13,129	5,954	13,129	5,954

The amount owed to Other Local Authorities primarily relates to business rates payable to the Gloucestershire Business Rates Pool.

The amounts due to Government departments mainly relate to tax collected to be paid over from PAYE and amounts relating to business rates owed to Central Government.

21(i) Short term Borrowings

	GCC		Group	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Charity deposits	147	147	147	147
Short-term borrowings with other local authorities	36,915	48,229	36,915	48,229
Accrued interest on short-term and long-term borrowings	779	343	779	343
Finance Lease Liability	1,535	1,519	1,535	1,519
PWLB Loans repayable within one year	93	185	93	185
	39,469	50,423	39,469	50,423

The fair value of these loans approximates to their carrying value.

21(ii) Long term Borrowings (GCC and Group)

These consist of loans repayable in excess of 12 months from the Balance Sheet date. The Council is empowered to borrow from the Public Works Loan Board (PWLB) or from the money markets. Borrowings repayable in less than one year are classified as temporary or current borrowings.

An analysis of loans by lender is as follows:

	Interest Rate (%)	2020/21 Amortised Cost £000	2020/21 Fair Value £000	2019/20 Amortised Cost £000	2019/20 Fair Value £000
PWLB	2.19 - 2.87	62,108	67,736	62,200	62,562
Less: Amount repayable within twelve months included in short-term borrowings (Refer to note 21(i))		93	-	185	-
Market Loans	1.65	3,200	3,250	6,430	6,560
BAE Systems	3.95	5,000	6,563	5,000	5,851
Long Term Lease liability	5.795	29,376	29,376	29,089	29,089
Total		99,591	106,925	102,534	104,062

Loans are reflected in the Balance Sheet at amortised cost. The fair value of the loans are the cost of settling the liabilities at the balance sheet date. This is more than the amortised cost at 31 March because many of the Council's loans were at interest rates higher than the rates for similar loans at the Balance Sheet date.

An analysis by date of repayment (maturity) is shown below.

	2020/21 £000	2019/20 £000
Between 1 and 2 years	3,200	6,430
Between 2 and 5 years	-	-
Between 5 and 10 years	5,698	4,345
More than 10 years	90,693	91,759
	99,591	102,534

NOTES TO THE CORE FINANCIAL STATEMENTS

22 PROVISIONS (GCC and Group)

Provisions more than one year

These are amounts set aside to meet losses which are likely or certain to occur in the future for greater than one year.

	GCC and Group	
	Injury and Damage Compensa tion Claims	Total
	£000	£000
Balance at 1 April 2020	124	124
Additional provisions in 2020/21	29	29
Amounts utilised in 2020/21	(17)	(17)
Balance at 31 March 2021	136	136
Consists of:		
Insurance claims provision	136	136
Balance at 31 March 2021	136	136

Insurance and Injury Compensation Claims Provision

The insurance provision is an amount set aside to cover known or likely losses or liabilities arising in respect of certain risks which the Council is not able, or has chosen not, to cover by external insurance. This includes policy excesses in respect of public liability claims, employee liability claims and claims in respect of property damage. This provision is expected to be utilised to cover future claim settlements.

Claims relate to personal injuries sustained where the Council is alleged to be at fault. Provision is made for those claims where it is deemed probable that the Council will have to make a settlement.

Provisions less than one Year

These are amounts set aside to meet losses which are likely or certain to occur in the future for less than one year.

	GCC and Group		
	NNDR Appeals	Other Provisions	Total
		£000	£000
Balance at 1 April 2020	1,045	420	1,465
Additional provisions made in 2020/21	675	98	773
Amounts used in 2020/21	(681)	(83)	(764)
Balance at 31 March 2021	1,039	435	1,474
Consists of:			
NNDR Appeals	1,039	-	1,039
Restructuring provision		337	337
Accumulated Absence provision	-	98	98
Balance at 31 March 2021	1,039	435	1,474

Accumulated Absences Provision

This is the value of holiday and flexi outstanding at 31 March 2021. This is a short term provision for less than one year.

NNDR Appeals Provision

This provision covers the estimated cost to the Council resulting from appeals by ratepayers against their rateable value.

Restructuring Provision

This provision relates to costs associated with a subsidiary company.

NOTES TO THE CORE FINANCIAL STATEMENTS

23 USABLE RESERVES

Movements in the Council's and The Group's usable reserves are detailed in the Movement in Reserves Statement.

24 UNUSABLE RESERVES

	GCC	Group	GCC	Group
	2020/21 £000	2020/21 £000	2019/20 £000	2019/20 £000
Revaluation Reserve	56,396	65,701	44,760	54,065
Pensions Reserve	(58,366)	(59,029)	(56,134)	(56,797)
Capital Adjustment Account	(10,024)	(6,133)	7,704	11,595
Deferred Capital Receipts Reserve	43	43	43	43
Collection Fund Adjustment Account	(11,496)	(11,496)	740	740
Short-term Accumulating Compensated Absences Account	(98)	(98)	(65)	(65)
Financial Instruments Available for Sale Reserve	(854)	(854)	408	408
Total Unusable Reserves	(24,399)	(11,866)	(2,544)	9,989

(i) Revaluation Reserve

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

- 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.

	2020/21 £000	2019/20 £000
Balance at 1 April	44,760	39,172
Upward revaluation of assets	19,728	8,110
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,047)	(1,535)
Surplus on revaluation of assets	58,441	45,747
Difference between fair value depreciation and historical cost depreciation	(1,473)	(987)
Accumulated gains on assets sold or scrapped	(572)	-
Balance at 31 March	56,396	44,760

(ii) 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 enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert 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. Notes 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	GCC Only	
	2020/21 £000	2019/20 £000
Balance at 1 April	7,704	30,863
Reversal of items relating to capital expenditure debited or credited to the CIES		
Charges for depreciation and impairment of non current assets	(4,263)	(3,747)
Revaluation losses on Property, Plant and Equipment and assets held for sale	(9,181)	(7,062)
Amortisation of intangible assets	(561)	(362)
Revenue expenditure funded from capital under statute	(1,281)	(721)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,108)	-
	(8,690)	18,971
Adjusting amounts written out of the Revaluation Reserve	2,045	987
Net written out amount of the cost of non-current assets consumed in the year	(6,645)	19,958
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	467	290
Capital grants and contributions credited to the CIES that have been applied to capital financing and application of grants to capital financing from the Capital Grants Unapplied Account	4,985	3,701
Direct Revenue Financing	500	-
Statutory provision for the financing of capital investment charged against the General Fund balances and repayment of CFR	870	701
	177	24,650
Movements in the market value of Investment Properties debited or credited to the CIES	(10,203)	(16,949)
Balance at 31 March	(10,024)	7,704

NOTES TO THE CORE FINANCIAL STATEMENTS

24 UNUSABLE RESERVES (Continued)

(iii) 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's contributions to pension funds 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.

	2020/21 £000	2019/20 £000
Balance at 1 April	(56,134)	(68,963)
Re-measurement of the net defined benefit liability	(9,995)	12,468
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	(3,128)	(3,674)
Employer's pensions contributions and direct payments to pensioners payable in the year	10,891	4,035
Balance at 31 March	(58,366)	(56,134)

(iv) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2020/21 £000	2019/20 £000
Balance at 1 April	43	46
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	-	(3)
Balance at 31 March	43	43

NOTES TO THE CORE FINANCIAL STATEMENTS

24 UNUSABLE RESERVES (Continued)

(v) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2020/21 £000	2019/20 £000
Balance at 1 April	740	(155)
Amount by which Council Tax and Non-Domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic rates income calculated for the year in accordance with statutory requirements	(12,227)	894
Balance at 31 March	(11,496)	740

(vi) 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.

	2020/21 £000	2019/20 £000
Balance at 1 April	(65)	(50)
Settlement or Cancellation of Accrual made at the end of the preceding year	65	50
Amounts accrued at the end of the current year	(98)	(65)
Balance at 31 March	(98)	(65)

(vii) Financial Instruments Available for Sale Reserve

The Financial Instruments available for sale reserve holds the movements in the value in available for sale financial instruments to reflect the difference between statutory requirements and proper accounting practices for such assets.

	2020/21 £000	2019/20 £000
Balance at 1 April	408	1,025
Movement in the fair value of available for sale assets	(1,260)	(615)
Balance at 31 March	(854)	408

NOTES TO THE CORE FINANCIAL STATEMENTS

25 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	Council 2020/21 £000	Council 2019/20 £000
(Deficit)/surplus on Provision of Services	(15,676)	(26,610)
Adjustments in respect of non-cash movements		
Depreciation of property, plant and equipment	4,263	3,747
Revaluation losses charged to net cost of services	19,384	24,011
Amortisation of intangible assets	561	362
Decrease/(Increase) in short-term debtors	(11,081)	(3,729)
(Decrease)/Increase in creditors	5,887	(4,424)
Decrease/(Increase) in long-term debtors	44	(1,643)
Decrease/(Increase) in inventories	-	23
(Decrease)/Increase in provisions	21	(328)
Carrying amount of non-current assets and non-current assets held for sale sold	1,108	-
Adjustment in respect of pension fund deficit	(7,755)	(361)
	12,432	17,658
Adjustment for items that are investing and financing activities		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(511)	-
Capital Grants credited to CIES	(3,880)	994
	(4,391)	994
Net Cash flows from Operating Activities	(7,635)	(7,958)
The cash flows from operating activities include the following items:		
Interest received	653	631
Interest paid	(1,701)	(684)

26 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	Council 2020/21 £000	Council 2019/20 £000
Purchase of property, plant and equipment, investment property and intangible assets	(7,345)	(75,452)
Purchase of short-term and long-term investments		-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	514	3
Short-term/long-term investments (purchases)/sales	22,261	(16,382)
Capital Grants Received	3,265	3
Net cash flows from investing activities	18,695	(91,828)

27 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	Council 2020/21 £000	Council 2019/20 £000
Repayments of short- and long-term borrowing	(13,885)	102,621
Net cash flows from financing activities	(13,885)	102,621

NOTES TO THE CORE FINANCIAL STATEMENTS

28 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS FOR THE EXPENDITURE AND FUNDING ANALYSIS

The expenditure and funding analysis (EFA), documents the adjustments made to the Comprehensive Income and Expenditure Statement to get back to the funding position. The following note splits out the detail of the adjustments made between the two positions.

(i) Adjustments between accounting basis and funding basis 2020/21

	Adjustments for Capital Items	Adjustments for Pensions	Other Adjustments	TOTAL
	£000	£000	£000	£000
Communities and Neighbourhoods	(777)	(80)	(20)	(877)
Culture and Leisure	(23)	(282)	3	(302)
Environment	(286)	(148)	(7)	(441)
Housing and Planning	(600)	(116)	(5)	(721)
Performance and Resources	(539)	(148)	(2)	(689)
Regeneration and Economy	(3,365)	(182)	(98)	(3,645)
Net Cost of Services	(5,590)	(956)	(129)	(6,675)
Other Income and Expenditure	(16,118)	8,711	(11,259)	(18,666)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit	(21,708)	7,755	(11,388)	(25,341)

(ii) Adjustments between accounting basis and funding basis 2019/20

	Adjustments for Capital Items	Adjustments for Pensions	Other Adjustments	TOTAL
	£000	£000	£000	£000
Communities and Neighbourhoods	(798)	(242)	12	(1,028)
Culture and Leisure	(25)	(199)	(5)	(229)
Environment	(281)	(345)	4	(622)
Housing and Planning	(20)	(203)	(9)	(232)
Performance and Resources	(758)	(339)	(9)	(1,106)
Regeneration and Economy	(2,300)	(299)	(428)	(3,027)
Net Cost of Services	(4,182)	(1,627)	(435)	(6,244)
Other Income and Expenditure	(23,663)	1,989	2,017	(19,657)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit	(27,845)	362	1,582	(25,901)

29 ACQUIRED, DISCONTINUED AND TRANSFERRED OPERATIONS

There have been no acquired or discontinued or transferred operations during 2020/21.

NOTES TO THE CORE FINANCIAL STATEMENTS

30 TRADING OPERATIONS

The Council operates a number of services on a trading basis including the commercial estates and markets. The income and expenditure relating to these operations are shown below.

	2020/21			2019/20		
	£000	£000	£000	£000	£000	£000
	Income	Expenditure	Net	Income	Expenditure	Net
City Estates	(254)	166	(88)	(779)	189	(590)
St.Oswald's Park	(11)	66	55	(12)	30	18
Eastgate Market	(115)	210	95	(259)	299	40
Other markets	(80)	21	(59)	(45)	17	(28)
Lettings & Catering Services	(65)	269	204	(351)	734	383
Total	(525)	732	207	(1,446)	1,269	(177)

The expenditure of these operations is allocated or recharged to headings in the Comprehensive Income and Expenditure Statement.

	2020/21 £000	2019/20 £000
Net surplus on Trading Operations	207	(177)
Net surplus credited to Other Operating Expenditure	207	(177)

31 MEMBERS' ALLOWANCES

The Authority paid the following amounts to members of the Council during the year.

	2020/21 £000	2019/20 £000
Allowances	349	349
Expenses	-	2
Total	349	351

Details of the allowances paid to each individual councillor are published on the Council's website - www.goucester.gov.uk

32 EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims, statutory inspections and non-audit services provided by the Council's external auditors:

	2020/21 £'000	2019/20 £'000
Fees payable to Deloitte LLP		
- External audit services	96	49
Total audit fees	96	49

NOTES TO THE CORE FINANCIAL STATEMENTS

33 OFFICERS' REMUNERATION

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

Senior Officer	Managing Director		Corporate Director		Corporate Director		Head of Policy and Resources - Section 151 Officer	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Salary, fees & allowances	121,607	119,767	96,939	92,097	96,939	92,097	81,915	79,723
Bonuses	-	-	-	-	-	-	-	-
Expenses allowance	-	-	-	-	-	-	-	-
Compensation for loss of employment	-	-	-	-	-	-	-	-
Employer's pension contribution	23,852	20,940	18,806	16,117	18,806	16,117	15,891	13,951
Any other emoluments	-	-	-	-	-	-	-	-
Total	£145,459	£140,707	£115,745	£108,214	£115,745	£108,214	£97,806	£93,675

* The Managing Director role is split between the City and County Councils, the remuneration paid is split equally between both organisations
The Council's other employees receiving more than £50,000 remuneration for the year (excluding pension contributions) were paid the following amounts:

Remuneration Band	Number of Employees	
	2020/21	2019/20
£50,000 to £54,999	1	2
£55,000 to £59,999	1	2
£60,000 to £64,999	1	1
£65,000 to £69,999	1	-
£70,000 to £74,999	-	-
£75,000 to £79,999	-	1
£80,000 to £74,999	1	-

34 TERMINATION BENEFITS

Details of termination benefits paid in 2020/21 are as follows:

	Number of Compulsory		Number of Other		Total Exit Packages by		Total Cost of Exit	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	Number of Compulsory Redundancies	Number	Number of Other Departures Agreed	Number	Number	Number	£'000	£'000
Less than £20,000	-	-	-	1	-	1	-	19
Between £20,000 and £40,000	-	-	-	2	-	2	-	68
Between £40,000 and £60,000	-	-	-	-	-	-	-	-
Between £60,000 and £80,000	-	-	-	-	-	-	-	-
Between £80,000 and £100,000	-	-	-	-	-	-	-	-
Between £100,000 and £150,000	-	-	-	-	-	-	-	-
Total	-	-	-	3	-	3	-	87

NOTES TO THE CORE FINANCIAL STATEMENTS

35 GRANT INCOME

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

	2020/21 £'000	2019/20 £'000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	(87)	(85)
Capital Grants	(3,880)	(996)
New Homes Bonus	(977)	(1,212)
Business Rates Section 31 Grant	(11,464)	(1,998)
Covid-19 Grants	(4,495)	-
Other Grants	(1,145)	(105)
	(22,048)	(4,396)
Credited to Services		
Homelessness and other housing	(1,254)	(1,196)
Mandatory Rent Allowances	(31,464)	(31,601)
Rent Rebates	(565)	(600)
Other	(137)	(66)
	(33,420)	(33,463)
Total grants	(55,468)	(37,859)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the donor should the conditions not be met. The balances at the year-end are as follows:

Long-term Liabilities

	31/03/2020 £'000	31/03/2019 £'000
Capital Grants Received in Advance		
Bodiam Avenue	-	35
Cotswold View	-	271
Green Farm	81	81
British Energy	150	150
Hammersons	-	55
St Oswalds	44	56
Travis Perkins	274	310
Tolsey Gardens	31	31
Miller Homes	196	196
Newland Homes	-	223
Redrow Homes	548	548
Lime Grove Tuffley	-	20
Persimmon Homes Severn Valley	-	106
Crest Nicholson South West	106	53
Gloucester Diocese re St Aldates	-	200
BIES - Public Sector Decarbonisation Scheme 1	538	-
T&H Eastgate Centre & TSB	150	-
Rudloe Drive	50	-
Other contributions	207	655
Total	2,375	2,990

There are no capital grants received in advance that are classified as current liabilities.

NOTES TO THE CORE FINANCIAL STATEMENTS

36 RELATED PARTIES

The Council is required to disclose material transactions with related parties – defined as bodies or individuals that 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 of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits etc.). Grant receipts held as received in advance at 31 March 2020 are shown in Note 35.

Contracts were entered into in full compliance with the Council's standing orders and the relevant officers did not take part in any discussion or decision relating to these payments.

	2020/21		2019/20	
	Payments Made or Due £'000	Income Rec'd £'000	Payments Made or Due £'000	Income Rec'd £'000
Central Government				
Revenue Support Grant	-	(87)	-	(85)
Other Government grants	-	(19,472)	-	(3,315)
Council Tax and Housing Benefit grants	-	(32,029)	-	(32,201)
NNDR	27,420	-	26,096	-
Other Local and Police Authorities				
Precepts	61,469	-	58,575	-
Gloucestershire County Council inc Pension Fund contributions	10,891	-	4,035	-
Gloucestershire Airport Limited Loan interest and rents	-	(62)	-	(45)
Quedgeley Parish Council	250	-	243	-
Others				
Gloucester Law Centre	38	-	48	-
Aspire Sports and Cultural Trust	20	-	12	(624)
Hucclecote Community Association	71	-	3	-
Gloucester Docks Estate Company	55	(38)	80	-
Citysafe	187	-	3	-
Llanthony Secunda Priory	-	(2)	8	-
Strike a Light	-	-	91	(25)
Gloucester Community Building Collective	8	(2)	-	-
Gloucester Wildlife Trust	-	-	764	(33)

Amounts due to or from related parties included in debtors and creditors as at 31 March 2021:

	2020/21 £'000	2019/20 £'000
Short-term Debtors	7,686	2,420
Long-term Debtors	130	255
Short-term Creditors	9,100	1,633
Short-term Borrowings	36,915	48,229

NOTES TO THE CORE FINANCIAL STATEMENTS

37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and contracts), 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.

	2020/21	2019/20
	£000	£000
Opening Capital Financing Requirement	118,434	47,673
Capital investment		
- Property, Plant and Equipment, heritage assets and assets held for sale	5,998	5,145
- Investment Properties	57	69,221
- Intangible Assets	9	366
- Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,281	721
	125,779	123,126
Sources of finance		
- Usable Capital Receipts	(467)	(290)
- Capital Grants and Contributions	(4,985)	(3,701)
- Revenue Financing	(500)	-
Revenue Provision (including Minimum Revenue Provision)	(870)	(701)
Closing Capital Financing Requirement	118,957	118,434
Explanation of movements in year		
Increase in underlying need to borrow for capital investment:		
- Unsupported by Government financial assistance	1,441	71,461
Amounts 'set aside' for debt repayment	(870)	(701)
Increase / (Decrease) in Capital Financing Requirement	571	70,760

38 LEASES

(i) GCC as Lessor

Finance Leases

The Council has two finance leases. The rental for both leases was paid at inception with the exception of an annual rental of £1 per annum. Accordingly there are no minimum lease payments outstanding at 31 March 2021.

The Council does not have any other finance leases as lessor.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- a) The provision of community services such as sport and recreation facilities, tourism services and community centres; and
- b) For economic development purposes to provide suitable accommodation for local businesses.

Rentals received during the year and included in the net cost of services were £6.342 million (2020/21: £3.116 million). The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

	2020/21	2019/20
	£'000	£'000
Not later than one year	4,862	6,026
Later than one year and not later than five years	15,263	19,633
Later than five years	22,830	29,579
Total	42,955	55,238

NOTES TO THE CORE FINANCIAL STATEMENTS

38 LEASES (Continued)

(ii) GCC as Lessee

Operating Leases

The Council has a number of operating leases in respect of buildings and car parks and items of property, plant and equipment.

Total lease payments were £0.299 million in 2020/21 (2019/20: £0.369 million) made up as follows:

	2020/21	2019/20
	£'000	£'000
Minimum lease payments	299	369
Contingent rentals	-	-
Sub-lease payments receivable	-	-
Total	299	369

The Council has the following commitments representing the minimum lease payments in respect of operating leases:

	2020/21	2019/20
	£'000	£'000
Not later than one year	221	226
Later than one year and not later than five years	12	224
Later than five years	162	165
Total	395	615

Finance Leases

The Council has one finance lease. This was entered into in 2017/18 and represented a change in the Council's interest in the Kings Walk shopping centre. Upon completion the Council recognised a lease liability relating to future rental payments of £29.762m. A right of use asset was recognised with a value of £19.892m representing the lease liability of £29.762m after deduction of lease incentives received on completion of £9.870m.

The interest cost recorded as financing expenditure in year was £1.792m.

The lease liability is recorded as long-term borrowing within the Balance Sheet with a value of £30.911m. The lease rentals are subject to an annual RPI increase in July annually capped at 4% and collared at 2%.

The table below shows future lease payments at both their expected cash flow and their present value as at the Balance Sheet date.

	Total Lease Payments	Present Value
	£'000	£'000
Not later than one year	1,535	1,535
Later than one year and not later than five years	6,453	5,402
Later than five years	88,117	23,974
Total	96,105	30,911

39 REVALUATION LOSSES

The Code requires disclosure by class of assets of the amounts for revaluation losses and reversals charged or credited to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 11, 12, 13 and 14 reconciling the movement over the year in the Property, Plant and Equipment, Investment Property, Heritage Assets and Intangible Asset balances.

40 CAPITALISATION OF BORROWING COSTS

No borrowing costs were capitalised during the year.

NOTES TO THE CORE FINANCIAL STATEMENTS

41 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council offers retirement benefits. Although these benefits will not actually be paid until employees retire, the Council has a commitment to make the payments, which needs to be disclosed at the time employees earn their future entitlement.

The Council participates in the Gloucestershire County Council Pension Fund which is a defined benefit statutory pension scheme administered by the County Council in accordance with the Local Government Pension Scheme (LGPS) Regulations 1997 (as amended). It is contracted out of the State Second Pension. It is also a Funded scheme, meaning that the Council and employees pay contributions into a Fund, set at a level intended to balance pension liabilities with investment assets.

Further information can be found in the Gloucestershire County Council LGPS Annual Report which is available (from November each year) from:

Business Management Directorate
Gloucestershire County Council
Shire Hall
Westgate Street
Gloucester
GL1 2TG

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by 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 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:

Comprehensive Income and Expenditure Account	2020/21 £000	2019/20 £000
<i>Net Cost of Services :</i>		
Current service cost (apportioned across services)	2,052	3,041
Actuarial Adjustment	(112)	(1,031)
Effects of settlements	-	-
Settlements and Curtailments (included in Non-Distributed costs)	-	-
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	1,188	1,664
Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,128	3,674
Other Post employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
<i>Remeasurement of the net defined benefit liability comprising:</i>		
-Return on plan assets (excluding the amount included in the net interest expense)	22,547	(9,633)
-Actuarial gains/(losses) arising from changes in demographic assumptions	-	-
-Actuarial gains/(losses) arising from business combination and disposal	-	-
-Actuarial gains/(losses) arising from changes in financial assumptions	(32,474)	23,132
-Other	-	-
Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(6,799)	17,173
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3,196)	(4,705)
Actual amount charged against the General Fund Balance for pensions in the year:		
- employer's contributions payable by the general fund to the scheme	10,995	4,616
- retirement benefits payable to pensioners	-	-
	1,000	17,084

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2021 is a net deficit of £9.927 million (2019/20: £27.945 million).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Funded liabilities: Local Government Pension Scheme	
	2020/21 £000	2019/20 £000
Opening balance at 1 April	146,505	168,113
Current service cost	2,052	3,041
Actuarial Adjustment	(44)	-
Effect of Settlements	-	-
Interest cost	3,327	4,024
Contributions by scheme participants	396	364
Effects of business combinations and disposals	-	-
<i>Remeasurement gains and losses:</i>		
-Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
-Actuarial (gains)/losses arising from changes in financial assumptions	32,474	(23,132)
-Other	-	-
Losses/(gains) on curtailments	-	-
Benefits paid	(5,793)	(5,905)
Closing balance at 31 March	178,917	146,505

NOTES TO THE CORE FINANCIAL STATEMENTS

41 DEFINED BENEFIT PENSION SCHEMES (Continued)

Reconciliation of fair value of the scheme (plan) assets

Local Government Pension Scheme

	2020/21 £000	2019/20 £000
Opening balance at 1 April	90,371	99,150
Interest income	2,139	2,360
<i>Remeasurement gain/(loss):</i>		
The return on plan assets, excluding the amount included in the net interest expense	22,547	(9,633)
Effect of Settlements		
Effect of business combinations and disposals		
Employer contributions	10,891	4,035
Contributions by scheme participants	396	364
Benefits paid	(5,793)	(5,905)
Closing balance at 31 March	120,551	90,371

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme History

	31-Mar-20 £'000	31-Mar-19 £'000
<i>Present value of liabilities:</i>		
Local Government Pension Scheme	(178,917)	(146,505)
<i>Fair value of assets:</i>		
Local Government Pension Scheme	120,551	90,371
Deficit in the scheme	(58,366)	(56,134)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment retirement benefits.

The total net liability of £58.336 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, however, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. 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 made to the Local Government Pension Scheme by the Council for the year ended 31 March 2021 was £10.995 million (2019/20: £4.616 million).

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.

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, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2021.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2020/21	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.9 years	21.7 years
- Women	24.3 years	23.9 years
Longevity at 65 for future pensioners:		
- Men	22.9 years	22.4 years
- Women	26 years	25.3 years
Rate of increase in salaries	3.15%	2.20%
Rate of increase in pensions	2.85%	1.90%
Rate for discounting scheme liabilities	2.00%	2.30%
Take-up of option to convert annual pension into Retirement lump sum	68%	68%

NOTES TO THE CORE FINANCIAL STATEMENTS

41 DEFINED BENEFIT PENSION SCHEMES (Continued)

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined 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 that 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 method and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation	
	Approximate % Increase in Liability	Approximate Monetary Amount £000
0.5% Decrease in real discount rate	9%	15,565
0.5% Increase in the salary increase rate	1%	922
0.5% Increase in the pension increase rate	8%	14,365

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Asset Category	2020/21				2019/20			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Debt Securities								
Corporate Bonds (investment grade)	13,599	-	13,599	11%	10,041	-	10,041	11%
Corporate Bonds (non-investment grade)	300	-	300	0%	216	-	216	0%
UK Government	1,543	-	1,543	1%	1,657	-	1,657	2%
Other	462	-	462	0%	250	-	250	0%
Private Equity								
All	-	616	616	1%	-	298	298	0%
Real Estate								
UK Property	5,836	1,795	7,632	6%	5,013	1,603	6,616	7%
Overseas Property	-	564	564	0%	-	466	466	1%
Investment Funds and Unit Trusts								
Equities	0	79,989	79,989	66%	0	57,397	57,397	64%
Bonds	8,775	299	9,075	8%	7,140	-	7,140	8%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	613	613	1%	-	182	182	0%
Other	-	2,772	2,772	2%	-	5,039	5,039	6%
Derivatives								
Inflation	-	-	0	0%	-	-	0	0%
Interest Rate	-	-	0	0%	-	-	0	0%
Foreign Exchange	30	-	-	0%	19	-	19	0%
Other	9	-	9	0%	9	-	9	0%
Cash and Cash Equivalents								
All	3,349	-	3,349	3%	1,043	-	1,043	1%
Totals	33,903	86,648	120,521	100%	25,388	64,985	90,373	100%

NOTES TO THE CORE FINANCIAL STATEMENTS

41 DEFINED BENEFIT PENSION SCHEMES (Continued)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The County Council has agreed a strategy with the schemes actuary to achieve a funding level of 100% over the next 17 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2023.

The Council is anticipated to pay £1.158m contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 17 years for 2020/21.

42 CONTINGENT LIABILITIES

The Council has no contingent liabilities at the Balance Sheet date

NOTES TO THE CORE FINANCIAL STATEMENTS

43 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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.

Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

This arises from deposits with banks, financial institutions and other local authorities and from credit exposure to the Council's customers. Deposits are not made with banks or building societies unless such institutions have independently assessed credit ratings at least equivalent to Fitch F1 short term and A- long term or, in the case of non-rated UK building societies, have total assets in excess of £500 million. Limits are placed on the amount and length of loans to individual institutions according to their respective credit rating or asset size.

The Council maintains strict credit criteria and it is considered that the risk of default remains low.

The Council's maximum exposure to credit risk in relation to its short-term investments and deposits with banks and other financial institutions of £5.47million (2019/20: £29.29million) 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. Recent experience has shown that it is rare for such entities to be unable to meet their commitments and, along with short-term investments with other public sector bodies, are considered to have a low credit risk.

Full details of long-term investments are disclosed in note 44. Long-term debtors, as detailed in note 19(i), include the loans to Gloucestershire Airport Limited totalling £0.130 million (2019/20: £0.258 million) and are considered to have a low credit risk.

The Council does not generally allow credit for customers and £1.193 million, of the debtors balance of £31.942 million (see Note 15) is past its due date for payment as follows:

	£'000
Less than four months	545
Four months - one year	167
More than One year	481
Total	1,193

The Council has set aside provisions for unrecoverable or doubtful debts based on experience of collectability, and it is estimated uncollectible amounts will be able to be met from these.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is as follows:

Long term loans - period until repayment	Actual 31/03/2021
	%
Less than one year	3%
One - two years	0%
Two - five years	0%
Five - 10 years	6%
Over 10 years	91%
	100%

Full details of the maturity analysis in respect of long-term borrowings are included in note 21(ii). All trade and other payables and short-term borrowings are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure 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 the liabilities 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

43 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide 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 update the budget quarterly 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:

	Average amount Outstanding	Actual Interest rate	Actual Interest Paid / (Receivable)	Projected Interest Rate	Projected Interest Paid / Receivable	Variation
	£000s	%	£000s	%	£000s	£000s
Borrowings						
Long-term-fixed rate	70,215	3.95%	2,773	4.95%	3,476	703
Short-term-variable	39,469	0.78%	308	1.78%	703	395
	109,684		3,081		4,178	1,097
Investments						
Short-term-variable	-	0.00%	-	1.00%	-	-
Net loss/(gain) on deficit/(surplus) for the year						1,097

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council does not invest in quoted shares and the shares it owns are not carried at fair value. As a result the Council is not exposed to movements in market prices. For the impact on the pension scheme, see Note 41.

Foreign exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

44 LONG-TERM INVESTMENTS

Long term investments are investments repayable in (or intended to be held for) more than one year and are shown at cost.

They consist of the following:

	GCC		Group	
	31-Mar-20 £'000	31-Mar-19 £'000	31-Mar-20 £'000	31-Mar-19 £'000
Gloucestershire Airport Ltd	94	1,700	-	-
CCLA	9,487	9,142	9,487	9,142
Total	9,581	10,842	9,487	9,142

The Council has invested £10m to purchase units of CCLA Property & Diversified Income shares. As at 31st March, the bid price per unit was 289.08p (£4.622m) and 1.48p (£4.865m), hence the fair value amount as reflected in Balance Sheet and recognised through the Income and Expenditure statement. The Council invested £0.435m as joint shareholder, the fair value of this investment is £1.7m.

NOTES TO THE CORE FINANCIAL STATEMENTS

45 NOTES TO THE GROUP ACCOUNTS

The Council's group accounts combine the Council's accounts with those of Gloucestershire Airport Limited in which the Council has a 50% shareholding (the remaining 50% of the shares are owned by Cheltenham Borough Council). Gloucestershire Airport is accounted for as a joint venture, using equity accounting principle.

The purpose of the Group Accounts is to reflect the full value of the Council's investments in these entities within the Council's financial statements, since the Council's shareholdings may not fully reflect its share of the respective entities' assets and liabilities.

The following entities in which the Council has an interest have not been included in the Group accounts as the Council's share of income and net assets is considered to be immaterial and that their inclusion would have an insignificant impact on the group:

		Council Share
GL1 Sports Limited	Dormant company	100%
Marketing Gloucester Limited (in Administration)		100%
Gloucester Law Centre		36%
Linking Communities		29%
Race Equality Council for Gloucestershire		31%

Gloucestershire Airport Limited has been categorised as a joint venture company as the decisions regarding the operating and financial policies of the company require the consent of all parties. For the purposes of the group accounts Gloucestershire Airport has been treated as a jointly controlled entity (joint venture) and has been consolidated in accordance with IAS 31.

Gloucestershire Airport Limited (GAL)

Gloucestershire Airport Limited is a wholly owned airport company which was voluntarily established during 1992/93 by Gloucester City Council together with Cheltenham Borough Council, using powers available to them under the Airports Act (1986). This replaced the previous joint committee arrangements for the airport. The shares allotted were divided equally between the two councils. The market value of the shares is unknown as they are not quoted shares. They are classified within the Council's individual accounts as a long-term investment.

The registered name of the airport company is Gloucestershire Airport Ltd (Registered Number 2774189). The draft accounts of the company for the year ended 31 March 2021 reflected the following:

	2020/21 £000	2019/20 £000
After tax operating (loss)/profit	345	623
Net assets	26,619	25,414

For the purposes of the accounts the Airport has been classified as a Joint Venture as it is jointly owned by two local authorities, neither of which has overall control. These show the full value of the Council's investment within its financial statements, since the value of the Council's shares do not fully reflect the value of the airport land.

NOTES TO THE CORE FINANCIAL STATEMENTS

45 NOTES TO THE GROUP ACCOUNTS (continued)

The Group Balance Sheet has been prepared by combining the Council's 50% share of the Airport's net assets as a long-term investment, eliminating the share capital.

There is no requirement to adjust for transactions carried out and balances held between the Council and Gloucestershire Airport Limited. The cash flows of the Airport are also not required to be included in the Group Cash flow Statement.

In the autumn of 2009, the Council agreed to facilitate borrowing to finance the runway safety project at Gloucestershire Airport, to provide a safer runway with a computerised instrument landing system (ILS) which was completed in the 2012/13 financial year. The Council loaned £1.550million (2019/20:£1.550m) to the Airport to help fund this project. In 2013/14 the loan was converted from an indefinite period loan to two interest-bearing loans, one for £350k repayable over 5 years and one for £1.2m repayable over 10 years. (Refer to note 19(i) for details).

The following table discloses the council's share of the Airport's net assets as follows:

	Gloucestershire Airport Limited	Gloucester City Council's Share	Gloucestershire Airport Limited	Gloucester City Council's Share
	£ 2020/21 £000	£ 2020/21 £000	£ 2019/20 £000	£ 2019/20 £000
Turnover	4,491	2,246	6,152	3,076
Profit on ordinary activities before taxation	391	196	1,136	568
Tax on profit on ordinary activities	(46)	(23)	(513)	(257)
Profit for the financial year after taxation	345	172	623	312
Fixed Assets	36,008	18,004	34,751	17,375
Current Assets	1,169	585	820	410
Liabilities due within one year	3,085	1,542	2,466	1,233
Liabilities due after one year	7,473	3,737	6,365	3,183
Net pension liability	-	-	1,326	663
		13,310		12,707
Less: Investment		(94)		(1,700)
Share of Assets consolidated using the equity approach		13,216		11,007

The Airport did not pay any dividend for the year ended 31st March 2021 (2020: £Nil).

The accounts of GAL for the year ending 31 March 2021 can be obtained from the Airport Company Secretary at the company's registered office

- The Terminal Building, Staverton, Nr Cheltenham, Glos, GL51 6SR.

NOTES TO THE CORE FINANCIAL STATEMENTS

45 NOTES TO THE GROUP ACCOUNTS (continued)

ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND GCC ACCOUNTS

Adjusting for Intra-group Transactions and Balances

Adjustments have been made in respect of inter-group debtors and creditor balances between the Council and its subsidiaries. Inter-group transactions relating to services and other charges have also been eliminated on consolidation. This adjustment has been made in accordance with the Code.

Usable and Unusable Reserves

Transfers have been made between usable reserves and unusable reserves in respect of the classification of the pension reserves in subsidiary companies which are, effectively, included in retained earnings. In the group accounts these have been transferred from usable reserves to unusable reserves to ensure consistency of treatment with the Council's accounts.

SUPPLEMENTARY FINANCIAL STATEMENTS

COLLECTION FUND

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT					
For the year ended 31 March 2021					
	Note	2020/21			2019/20
		£'000	£'000	£'000	£'000
		Council Tax	Business Rates	Total	Total
INCOME					
Non Domestic Rates					
Collectable from Business Ratepayers	2,4		(25,814)	(25,814)	(54,611)
Council Tax					
Collectable from Council Tax Payers	1	(68,752)		(68,752)	(67,503)
		(68,752)	(25,814)	(94,566)	(122,114)
EXPENDITURE					
Non-Domestic Rates					
Payment to Gloucester City Council			21,936	21,936	20,877
Payment to Central Government			27,420	27,420	26,096
Payment to Gloucestershire County Council			5,484	5,484	5,219
Council Tax Precepts					
Gloucester City Council		8,189		8,189	7,908
Gloucestershire County Council		51,602		51,602	49,073
Police and Crime Commissioner for Gloucestershire		9,867		9,867	9,502
Write-Offs		101	389	490	1,595
Increase/(Decrease) in bad debt provisions		336	(48)	288	(21)
Increase/(Decrease) in Provision for NNDR Appeals			(15)	(15)	(646)
Cost of NNDR Collection			171	171	168
Distribution of Previous Years' estimated Collection Fund Surplus/(Deficit)		1,500	459	1,959	741
		71,595	55,796	127,391	120,512
(Surplus)/Deficit arising during the year		2,843	29,982	32,825	(1,602)
(Surplus)/Deficit at start of the year		(1,371)	(1,551)	(2,922)	(1,320)
(Surplus)/Deficit at end of the year		1,472	28,431	29,903	(2,922)

COLLECTION FUND

The Collection Fund reflects the Council's statutory responsibility as a billing authority to maintain a separate fund account, which shows the transactions in relation to council tax and business rates (non-domestic rates) and illustrates how these have been distributed to preceptors and the General Fund.

1 COUNCIL TAX

The figure shown is net of Council Tax benefits and transitional relief which are paid for by the Council's general fund.

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by setting the amount of income required to be taken from the collection fund by the City and County Councils and Gloucestershire Police Authority for the forthcoming year (the precepts) and dividing this by the Council Tax base. The tax base is the total number of properties in each band (adjusted by discounts) converted to a band D equivalent. This basic amount Council Tax for a band D property is multiplied by the proportion specified for the particular band to give an individual amount due.

The Council Tax base for the year (to the nearest whole equivalent) was calculated as follows:

Band	Estimated No. of taxable properties after effect of discounts	Ratio	Band D equivalent dwellings
A	53	5/9	29
A	14,388	6/9	9,592
B	14,612	7/9	11,365
C	12,544	8/9	11,150
D	5,449	9/9	5,449
E	3,476	11/9	4,248
F	846	13/9	1,222
G	141	15/9	235
H	2	18/9	3
Total	51,511		43,294
Less: Council Tax Support Scheme			(4,811)
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties (1.25% of total band D equivalent dwellings)			(485)
Council Tax Base for 2020/21			37,999
Council Tax Base for 2019/20			37,799

The Council Tax Base for 2020/21 multiplied by the Average Band D Council Tax Charge gives the Total of Precepts and Demands for the Year:

Tax Base	37,999
	X
Average Band D Charge	1,809.56
Precepts and Demands (£000s)	68,760

Properties within the boundaries of Quedgeley Parish Council pay an additional Council Tax sum to fund the activities of the Parish Council. For the 2020/21 year this was as follows.

Tax Base	6,506
	X
Average Band D Charge	38.08
Precept	248

COLLECTION FUND

2 INCOME FROM BUSINESS RATEPAYERS

For the year ended 31 March 2021

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate (the Multiplier) set by the Government. Certain reliefs are available and the figure shown as collectable is net of these reliefs.

The total non-domestic rateable value at 31 March 2021 was £130.169 million (£130.249 million at 31 March 2020) and the national non-domestic multiplier for 2021/22 was 51.2p (2020/21 50.4p), resulting in net income after transitional, small property, empty property and mandatory reliefs of £26.500 million (£56.434 million in 2019/20).

The Government introduced a 12-month relief period to properties within the retail, hospitality, and leisure sectors, as part of its assistance package to businesses during the pandemic. As a result, the billable business rates within the Collection Fund have been significantly reduced by as much as half of its normal level. As expenditure was set (per regulations) before the outbreak of the pandemic, this created a substantial deficit in the Collection Fund Accounts. The deficit will be repaid by the preceptors to the Collection Fund in 2021/22 as all preceptors (including the Council as a billing authority) were compensated by the Government through a Section 31 grant.

The Business Rates Retention scheme splits rate income between central government and local authorities according to a set percentage split in each area. During 2020/21 the income received by Gloucester City Council was distributed as follows: 40% of income goes to Gloucester City Council, 10% to Gloucestershire County Council and 50% to Central Government. The Collection Fund Statement shows the sums received by each organisation for Business Rates in 2020/21.

As part of the scheme Central Government established a baseline funding level for every authority. A system of tariffs, paid by authorities who have gained, and top ups, paid to those who have lost out, ensures that each authority receives their baseline funding. The tariff paid by Gloucester City Council from its general fund in 2020/21 was £16.330 million.

3 COLLECTION FUND BALANCE

The balance of the fund is shared between the Council and its major precepting authorities in the following year. The billing authority has to estimate the (surplus)/deficit for the end of each financial year by January 15 of that year.

This Council Tax balance is shared by the City and County Councils and Gloucestershire Police Authority according to the proportion that their precept constitutes of the total for precepts for that year.

The (surplus)/deficit will be shared out in its entirety between the Council and County Council and Police Authority. The County Council and Police Authority share will be carried as (creditors)/debtors and the Council's share will be credited to the Comprehensive Income and Expenditure Account. The Collection Fund Adjustment Account is then needed to reconcile the net credit made to the Comprehensive Income and Expenditure Account for Council Tax to the statutory amount in the Statement of General Fund Movement.

The closing deficit for 2020/21 is £1.034 million (2019/20 surplus £1.371 million). This is apportioned as follows:

	2020/21 £'000	2019/20 £'000
Gloucestershire County Council	765	(1,578)
Police and Crime Commissioner for Gloucestershire	146	(303)
Gloucester City Council	123	(251)
Total	1,034	(2,132)

The fund deficit relating to Council Tax will be partly recovered from the respective parties in 2021/22 as a deficit of £1.1 million was declared in January 2021. The exceptional deficit is being spread over three years in accordance with guidance from the Government.

The NNDR balance is shared by the City and County Councils and Central Government according to the respective proportions 40% / 10% / 50%. As with Council Tax, the County Council and Central Government share is carried as a creditor and the Council's share was debited to the Comprehensive Income and Expenditure Statement. The Collection Fund Adjustment Account is used to reconcile the net debit made to the Comprehensive Income and Expenditure Account for NNDR to the statutory amount in the Movement in Reserves Statement.

As noted in Note 2 above the Covid-19 pandemic led to the Central Government granting a series of emergency reliefs to business rate payers. This impacted on the levels of income collected by the Council and in return the Government provided early Section 31 grants to ensure cash liquidity for the Council (as a billing authority). These unusual circumstance led to the collection fund relating to NNDR recording an in year deficit of £29.982 million in 2020/21 [2019/20 - £(1.440)m surplus]. The closing deficit is apportioned between the relevant bodies as follows.

Apportionment of Net Deficit relating to NNDR	2020/21 £'000	2019/20 £'000
Gloucestershire County Council	2,843	(155)
Central Government	14,216	(776)
Gloucester City Council	11,372	(620)
Total	28,431	(1,551)

The fund deficit is to be recovered from the respective parties in 2021/22, via Section 31 grants (already received) with the residual exceptional deficit being spread over three years in accordance with Government guidance.

4 NON-DOMESTIC RATES APPEALS

When the new arrangements for the retention of business rates came into effect on 1 April 2013, local authorities assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were paid over to Central Government in respect of prior years. Previously, such amounts would not have been recognised as income by the local authorities, but would have been transferred to DCLG.

The new arrangements give rise to the need to make a provision for the future cost of these appeals. The estimate made for the likely future value of appeals as at 31 March 2021 was £2.598 million. This has been split amongst the two recipients of Business Rates Income according to their respective share.

	2020/21	2019/20

COLLECTION FUND

	£'000	£'000
Central Government	1,299	1,306
Gloucester City Council	1,039	1,045
Gloucestershire County Council	260	261
Total	2,598	2,613

GLOSSARY OF FINANCIAL TERMS

GLOSSARY OF FINANCIAL TERMS

To help you understand Gloucester City Council's accounts, some of the terms used are briefly explained below:

Accounting Period

The period of time covered by the accounts, normally a period of twelve months, commencing on 1st April for local authority accounts.

Account

A generic term for statements setting out details of income and expenditure or assets and liabilities or both, in a structured manner. Accounts may be categorised by the type of transactions they record, e.g. management accounts, balance sheets.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Amortised Cost

The original cost less any depreciation or impairment (if applicable).

Bad or Doubtful Debts

It is common practice for an organisation to create a provision for bad debts representing the estimated amount of debt existing at the 31 March which is deemed to be irrecoverable.

Balances

Also known as 'working balances', these are 'contingency' reserves not set aside for any specific purpose but to cover possible unforeseen and unavoidable expenditure.

Budget

The Council's aims and policies in financial terms. Also referred to as 'Estimate'.

Capital Expenditure

Expenditure on capital assets which have a long term value to the authority e.g. land, buildings and equipment (known as fixed assets) or the payment of grants to other people for the purchase or improvement of capital assets e.g. house renovation grants (known as deferred charges).

Capital Financing

The raising of money to pay for capital expenditure. In the past the cost of capital assets was often met by borrowing, but capital expenditure may also be financed by other means such as contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants, and contributions from developers or others.

Capital Financing Costs

Principal and interest repayments relating to loans.

Capital Grants

Grants from the Government, the National Lottery and developers towards capital expenditure on a specific service or project.

Capital Receipts

Proceeds arising from the sale of capital assets or from the repayment to the Council of capital grants and loans. Capital receipts may be used to finance additional capital spending.

Collection Fund

The collection fund brings together income from council tax and business ratepayers. From this fund the City, County Council and Police Authority precept for their annual net expenditure.

GLOSSARY OF FINANCIAL TERMS

Community assets

Assets that the local authority intends to hold in perpetuity, and that have no determinable useful life. Examples of community assets are parks and historic buildings.

Contingent Liability

A liability which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, for example the default by a borrower on a loan from a third party for which the authority has given a guarantee.

Contingent Asset

As with contingent liability, only an asset.

Creditors

Amounts owed by the authority for work done, goods received or services rendered within an accounting period, but for which payment was not made at the balance sheet date.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

Revenue expenditure funded from capital under statute

Expenditure which may be financed from capital resources but which does not result in tangible assets, for example on house renovation grants.

Depreciation

The cost of the "wearing out" of a fixed asset.

Debtors

Amounts owed to the authority but for which payment was not made at the balance sheet date.

Employee Costs

These include salaries, wages and related national insurance and pension costs payable by the City Council, together with training expenses and charges relating to the index - linking of the pensions of former employees.

Fair Value

The value at which a liability (e.g. a loan) may be settled or extinguished.

Final Accounts

Accounts prepared for an accounting period, usually in a summarised form. These accounts show the net surplus (profit) or deficit (loss) on individual services together with a balance sheet. They are produced as a record of stewardship and are available to interested parties. Local authorities are required to publish each year a Statement of Accounts (final accounts and balance sheet) as specified in the Accounts and Audit Regulations (England) Regulations 2015.

Finance Lease

A lease whereby at the end of the lease period the Council receives part of the proceeds arising from the sale of the asset.

Financial Year

The local authority financial year commences 1st April and finishes 31st March the following year.

Fixed assets

Assets that yield benefits to the local authority for a period of more than one year.

GLOSSARY OF FINANCIAL TERMS

General Fund

The Council's main account which includes all services except Council Housing. The net expenditure on the account is financed from Government Revenue Support Grant.

Government Grants

Payments by Central Government towards local authority expenditure. They may be specific e.g. Housing Benefits, or general e.g. Revenue Support Grant.

Gross Book Value

The historical cost or current value of a fixed asset.

Gross Expenditure

The total cost of providing services before any income is deducted.

Impairment

A reduction in market value of an asset as a result for example of damage or reduction in market price.

Improvement Grants

Statutory or discretionary payments that local authorities make to tenants or owners of houses lacking basic amenities to enable them to bring dwellings up to modern standards. The maximum amounts payable are determined by government, which reimburses the authority for part of the cost it incurs in providing the grants.

Infrastructure Assets

A type of fixed asset, for example highways and footpaths.

Interest

An amount received or paid for the use of a sum of money when it is invested or borrowed.

Investment Properties

Interest in land and/or buildings which is held for its investment potential.

Minimum Revenue Provision

The minimum amount which must be charged to an authority's revenue accounts for repayment of debt. It is calculated by applying a prescribed percentage to outstanding debt less certain allowances.

National Non Domestic Rates (NNDR)

An NNDR multiplier is set annually by central government and the rates due, calculated by multiplying the rate by a business property's rateable value, is collected by charging authorities and paid into a central pool maintained by the Government.

The proceeds are redistributed by the government between local authorities according to a formula.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Expenditure

Gross expenditure less any related income.

Non-Distributed Costs

Costs which are not attributable to any specific service, and are therefore retained at the corporate centre.

Operating Lease

A lease whereby at the end of the lease period the Council does not receive any proceeds arising from the sale of the asset.

Precept

The amount which a Precepting Authority (i.e. a County Council) requires from a Charging Authority (district council) to meet its expenditure requirements.

Provision

An amount set aside in a separate account to cover known or likely losses. An example of a provision is the Insurance Provision.

GLOSSARY OF FINANCIAL TERMS

Reserve

An amount set aside in a separate account for future use. Reserves may be capital (can only be used for capital purposes) or revenue (can be used by revenue accounts). Reserves can be earmarked for a specific purpose or classified as general i.e. not earmarked for a particular purpose, for example the general fund revenue balance.

Revenue Account

Accounts covering income and expenditure relating to the day to day running of Council services.

Revenue Support Grant

A general grant paid to all authorities to help finance the cost of services.

Revised Budget

An estimate of likely actual expenditure, made towards the end of the financial year. Also referred to as 'Revised Estimate'.

Stock

Items of raw materials and stores an authority has purchased to use on a continuing basis which are not used at the year end.

Value For Money

An expression describing the benefit obtained (not just in financial terms) for a given input of cash. The phrase is widely used within public bodies, but there are many difficulties in its use because value is a subjective measure and there are rarely supporting objective measures. The Audit Commission is required to consider value for money with the three objectives of economy of input, efficiency of operation and effectiveness of output in service provision.

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Meeting:	Audit and Governance Committee	Date:	13th September 2021
Subject:	Internal Audit Activity Progress Report 2021/22		
Report Of:	Head of Audit Risk Assurance (ARA)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Piyush Fatania, Head of ARA		
	Email:	Tel:	
	piyush.fatania@gloucestershire.gov.uk	01452 328883	
Appendices:	A: Internal Audit Activity Progress Report 2021/22		

FOR GENERAL RELEASE

1.0 Purpose of Report

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

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RESOLVE** to:

- (1) Accept the progress against the Internal Audit Plan 2021/22; and
- (2) Accept the assurance opinions provided in relation to the effectiveness of the Council’s control environment (comprising risk management, control and governance arrangements).

3.0 Background and Key Issues

3.1 Members approved the Internal Audit Plan 2021/22 at the 8th March 2021 Audit and Governance Committee meeting. In accordance with the Public Sector Internal Audit Standards 2017 (PSIAS), this report (through **Appendix A**) details the outcomes of Internal Audit work carried out in accordance with the approved Plan.

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

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

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

4.0 Social Value Considerations

4.1 There are no Social Value implications as a result of the recommendations made in this report.

5.0 Environmental Implications

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

6.0 Alternative Options Considered

6.1 No other options have been considered as the purpose of this report is to inform the Committee of the Internal Audit work undertaken to date, and the assurances given on the adequacy and effectiveness of the Council's control environment operating in the areas audited. Non completion of Internal Audit Activity Progress Reports would lead to non compliance with the PSIAS and the Council Constitution (see report section 7.2 and 7.3).

7.0 Reasons for Recommendations

7.1 The role of the ARA Shared Service is to examine, evaluate and provide an independent, objective opinion on the adequacy and effectiveness of the Council's internal control environment, comprising risk management, control and governance. Where weaknesses have been identified, recommendations have been made to improve the control environment.

7.2 The PSIAS state the Head of ARA should report on the outcomes of Internal Audit work, in sufficient detail, to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address.

7.3 Consideration of reports from the Head of ARA on Internal Audit's performance during the year, including updates on the work of Internal Audit, is also a requirement of the Audit and Governance Committee's terms of reference (part of the Council Constitution).

8.0 Future Work and Conclusions

8.1 In accordance with the PSIAS and as reflected within the Audit and Governance Committee work programme, Internal Audit Activity Progress Reports against the approved Internal Audit Plan 2021/22 are scheduled to be presented to the Audit and Governance Committee at the 15th November 2021, 17th January 2022, 7th March 2022 and 18th July 2022 meetings.

9.0 Financial Implications

9.1 No financial implications as a result of this report.

Financial Services have been consulted in the preparation this report.

10.0 Legal Implications

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

One Legal have been consulted in the preparation this report.

11.0 Risk and Opportunity Management Implications

- 11.1 Failure to deliver an effective Internal Audit service will prevent an independent, objective assurance opinion from being provided to those charged with governance that the key risks associated with the achievement of the Council's objectives are being adequately controlled.

12.0 People Impact Assessment (PIA) and Safeguarding:

- 12.1 The Internal Audit service is delivered by ARA which is an Internal Audit and Risk Management Shared Service between Gloucester City Council, Stroud District Council and Gloucestershire County Council. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.

- 12.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

13.0 Community Safety Implications

- 13.1 There are no Community Safety implications as a result of the recommendations made in this report.

14.0 Staffing and Trade Union Implications

- 14.1 There are no Staffing and Trade Union implications as a result of the recommendations made in this report.

Potential Media Interest – to be completed for SMT/Cabinet Briefing purposes. Remove prior to publication of report. Draft report to be sent pressoff@gloucestershire.gov.uk.

Background Documents: [Internal Audit Plan 2021/22](#)
[PSIAS](#)
CIPFA Local Government Application Note for the UK PSIAS

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Internal Audit Activity Progress Report

2021-2022



(1) Introduction

All Council's must make proper provision for Internal Audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

The Council's Internal Audit service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Gloucester City Council, Stroud District Council and Gloucestershire County Council. ARA carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards 2017 (PSIAS) as representing 'proper Internal Audit practices'. The standards define the way in which the Internal Audit service should be established and undertake its operations.

(2) Responsibilities

Management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non financial) and governance arrangements.

Internal Audit plays a key role in providing independent assurance and advising the Council that these arrangements are in place and operating effectively.

Internal Audit is not the only source of assurance for the Council. There are a range of external audit and inspection agencies as well as management processes which also provide assurance. These are set out in the Council's Code of Corporate Governance and Annual Governance Statement.

(3) Purpose of this Report

One of the key requirements of the PSIAS is that the Head of ARA should provide progress reports on Internal Audit activity to those charged with governance. This report summarises:

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

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

The schedule provided at **Attachment 1** provides the summary of 2021/22 activities which have not previously been reported to the Audit and Governance Committee.

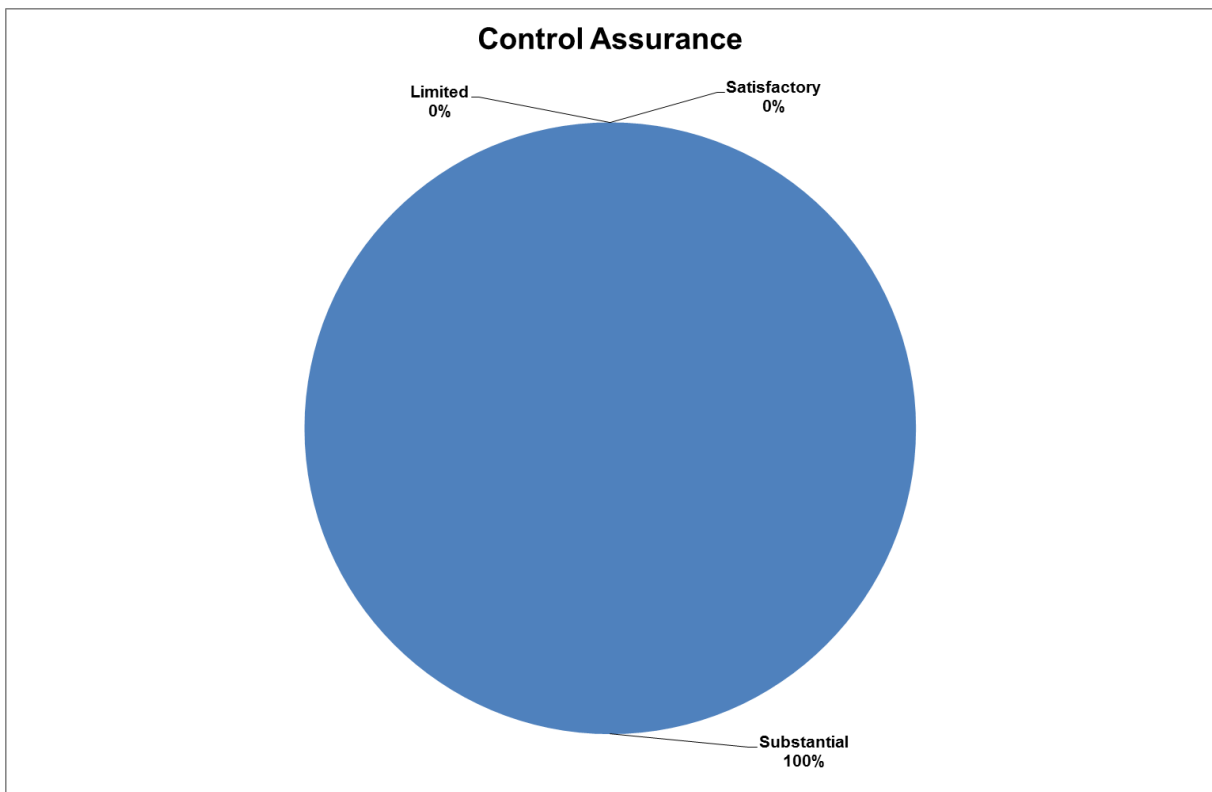
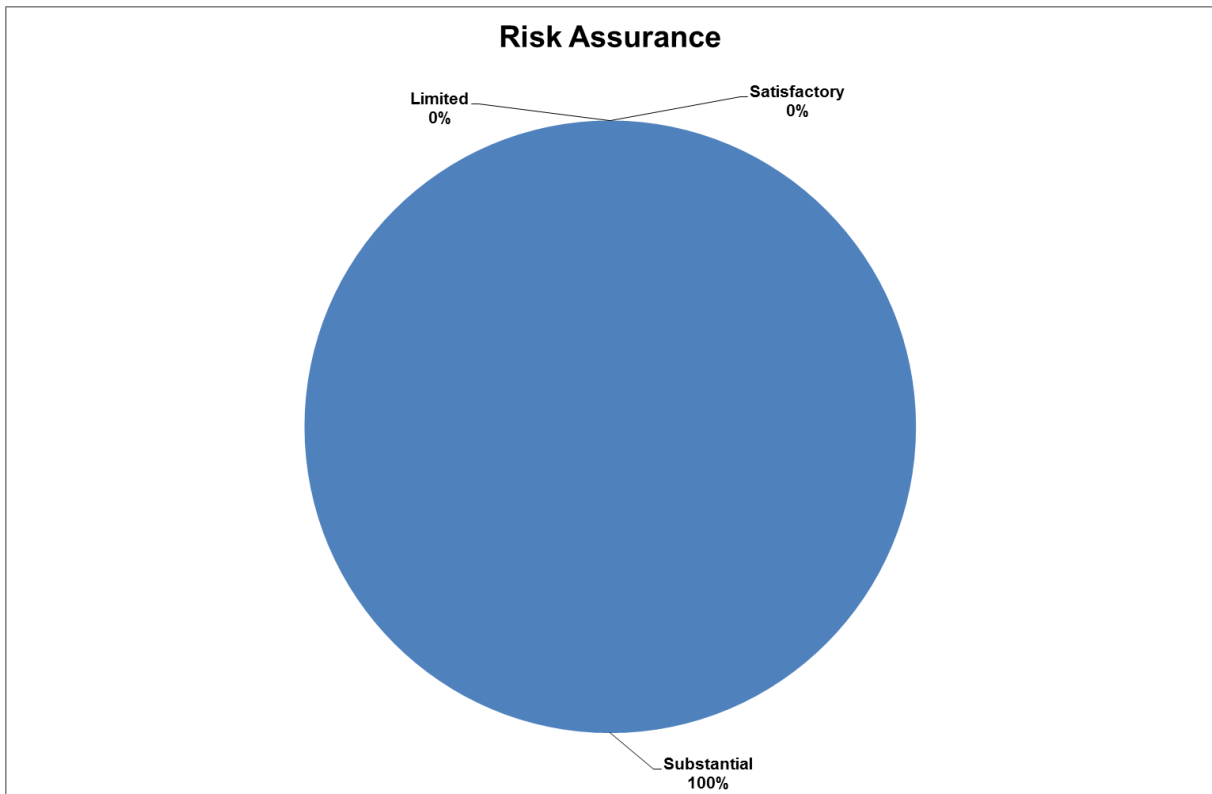
The schedule provided at **Attachment 2** contains a list of all of the 2021/22 Internal Audit Plan activity undertaken during the financial year to date. This includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activity outcomes have been presented to the Audit and Governance Committee.

Explanations of the meaning of the assurance opinions are shown below.

Assurance Levels	Risk Identification Maturity	Control Environment
Substantial	<p>Risk Managed Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Council's Risk Management Strategy.</p>	<ul style="list-style-type: none"> • System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved • Control Application – Controls are applied continuously or with minor lapses
Satisfactory	<p>Risk Aware Service area has an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners, and staff. However, some key risks are not being accurately reported and monitored in line with the Council's Risk Management Strategy.</p>	<ul style="list-style-type: none"> • System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger • Control Application – Controls are applied but with some lapses
Limited	<p>Risk Naïve Due to an absence of accurate and regular reporting and monitoring of the key risks in line with the Council's Risk Management Strategy, the service area has not demonstrated a satisfactory awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners and staff.</p>	<ul style="list-style-type: none"> • System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls • Control Application – Significant breakdown in the application of control

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

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



(4b) Limited Control Assurance Opinions

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

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

During the period up to August 2021, no limited assurance opinions on control have been provided on completed audits from the 2021/22 Internal Audit Plan.

(4d) Satisfactory Control Assurance Opinions

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

(4e) Internal Audit Recommendations

During the period up to August 2021, Internal Audit made no recommendations.

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

(4f) Risk Assurance Opinions

During the period up to August 2021, no limited assurance opinions on risk have been provided on completed audits from the 2021/22 Internal Audit Plan.

Where a limited assurance opinion is given, the Shared Service Audit/Risk Technical Officer will be provided with the Internal Audit report(s) to enable the prioritisation of risk management support.

Completed 2021/22 Internal Audit Activity delivered up to August 2021

Summary of Substantial Assurance Opinions on Control

Service Area: Council Wide

Audit Activity: Patch Management

Background

A 'patch' is a piece of software code that can be applied to a computer program after it has been installed to correct an issue or vulnerability of that program. It is not uncommon for software programs to have patches applied after their initial release. A patch can resolve functionality issues, improve security or add new features.

A patch is usually issued by the vendor of a piece of software. Patches can be free or they can be charged for.

Prompt patching is essential for effective cyber security. When a new patch is released, attackers will quickly identify the underlying vulnerability in the application being patched and release malware (harmful software) to exploit the vulnerability.

Effective patch management is about keeping operating and application software on computers and network devices up to date and capable of resisting low level cyber attacks. All software may be prone to technical vulnerabilities and once these are discovered and shared publicly, these vulnerabilities can be exploited.

A recent Ponemon Institute survey identified almost 60% 'of breaches suffered by organisations were due to unpatched vulnerabilities'.

Councils need to ensure that:

- i. All software installed on devices is licenced and supported;
- ii. That unused or unsupported software is removed from devices; and
- iii. That all devices are patched within 14 days of an update being released where a patch addresses a vulnerability with a severity assessed by the vendor as critical or high.

Patches are usually tested on a suite of test devices to ensure that applying the update will not cause any issues prior to being applied to all devices.

Firmware is a specific class of computer software that provides low level control of a device's specific hardware. Firmware updates released by the device's manufacturer update the existing firmware on the device and may enhance the device's capabilities or fix an issue.

Scope

The review assessed the arrangements in place for patch and device firmware management.

This included both operating system and application software patching, to ensure that all Council devices are patched and device firmware updated in a timely manner in accordance with best practice guidance.

Risk Assurance – Substantial

Control Assurance – Substantial

Key Findings

- i. Patching of the Council's IT systems is undertaken by Civica Information Technology Outsourcing (ITO) in accordance with Civica's documented Patch Management Service Description.
- ii. Patches are not fully tested prior to being applied as this would require additional resources and incur additional costs. The risks arising from this strategy are mitigated through taking backups or virtual images prior to applying patches and through applying patches sequentially to server groups. Applying patches sequentially to groups of servers rather than to all servers simultaneously spreads the risk should a patch cause an issue.
- iii. The most recent Public Service Network penetration test (January 2021) and a recent Local Government Association Cyber Security Testing Pilot (May 2021) did not identify any significant issues relating to the patching regime used by the Council.
- iv. Application patching is managed by the application owner/application champion and is undertaken by the application's external support provider.
- v. Access for the external support provider to apply the patch is facilitated by the Council's ICT Team and Civica. Access is provided only for the time necessary to apply the patch with access restricted to the specific application. One time use codes generated by token are used to ensure secure access for the external engineer.
- vi. Device firmware is updated in accordance with manufacturer's recommendations. Firmware for the storage area network (SAN) and for Cisco devices is undertaken by the relevant external support provider and is usually undertaken outside of normal working hours to minimise any potential disruption to the Council.
- vii. All patching is recorded as a service request on the Service Desk managed by Civica to ensure that all changes are captured and recorded.

Conclusion

The Council has effective arrangements in place for the patching of operating systems and application software and for the application of device firmware updates.

The risks arising from patching are mitigated through taking backups or snapshot images prior to applying the patch. This enables systems and devices to be restored to their condition immediately prior to the patch being applied if necessary due to any issues caused by the patch.

All patching and firmware updates are managed through the service desk in accordance with best practice to ensure that all changes are recorded and documented.

Management Actions

No management actions required.

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

Service Area: Communities

Audit Activity: Compliance and Enforcement Grant

Background

In October 2020 the Council received £67,379 of grant funding under the Compliance and Enforcement Surge Grant from the Ministry of Housing, Communities & Local Government (MHCLG).

The purpose of the grant is to provide support to district and unitary councils in England towards expenditure lawfully incurred or to be incurred by them in relation to Covid-19 related enforcement and compliance activity. The MHCLG guidance provides details of the types of eligible compliance and enforcement activity which councils can choose to use the funding for.

Scope

To provide assurance that the following grant declaration can be made:

‘To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Covid-19 Local Authority Compliance and Enforcement Grant for Lower Tier and Unitary Authorities Determination 2020 No31/5216 have been complied with.’

Key Findings

The Community Wellbeing team created an implementation plan to allocate the Compliance and Enforcement Surge Grant budget across a variety of areas including Covid Secure Ambassadors, engagement campaigns and funds for the community.

A partnership was formed between Gloucester City Council, Cheltenham Borough Council, Stroud District Council and Tewkesbury Borough Council to implement the Covid Secure Ambassadors approach across the county. In addition to the grant funding from the MHCLG, Gloucester City Council received funding of £68,685 from this partnership, bringing the total external funding for the area to £136,064.

Expenditure recorded within the Council's financial management system against areas of eligible expenditure relevant to the grant totalled £200,910. Internal Audit selected and reviewed a sample of transactions covering £72,226 (36% of the eligible grant expenditure) to ensure that the expenditure was in line with the MHCLG supporting guidance for the grant. Audit testing confirmed that all sampled expenditure was in accordance with the relevant grant conditions.

Conclusion

Having undertaken a review of records maintained by the Council, Internal Audit has gained reasonable assurance that the conditions of the grant determination No31/5216 have been fulfilled and as such the declaration has been signed and submitted to the MHCLG.

Management Actions

No management actions required.

Service Area: Cultural Services

Audit Activity: Blackfriars Priory Turnover Certificate

Background

In March 2012 the Council entered a lease with English Heritage for the use of the Blackfriars Priory site.

The Council's main objectives for the venue were to open it as a visitor attraction, provide educational visits, develop a wide-ranging events programme (both commercial and non-commercial), run and facilitate workshops and develop a meeting and conference trade. There is now also a developed service as a wedding venue.

The lease allowed a rent of £1.00 per annum for the first two years of operation, and then from 1st April 2014:

- i. First, Second and Third Turnover Periods a rental of 2% of Gross Turnover, as defined in the lease agreement;
- ii. Fourth, Fifth and Sixth Turnover Periods a rental of 5% of Gross Turnover, as defined in the lease agreement; and
- iii. Seventh and subsequent Turnover Periods a rental of 10% of Gross Turnover, as defined in the lease agreement.

The Council is required to provide English Heritage with a 'Turnover Certificate', signed by a professionally competent Auditor, certifying the amount of Gross Turnover for the relevant year.

Scope

The audit review was delivered:

- i. To provide assurance that, in all significant respects, the Gross Turnover values for 2020/21 provided to English Heritage by Finance are accurate and in accordance with the requirements of the lease agreement; and
- ii. To provide assurance that a certificate confirming the Gross Turnover for the Turnover Period may be signed.

Key Findings

- i. The Gross Turnover figure to be provided to English Heritage is based on the balances for income account codes in use for Blackfriars.
- ii. The Provisional Gross Turnover figure, prepared by the Accountancy Manager, shows that £9,365.87 was received in the financial year 2020/21.
- iii. The Council completes journals at year end to transfer deposits or other items to the financial year to which they relate, in accordance with standard accounting practice. However, the English Heritage lease agreement, Schedule 2 (clause 6.2) requires that deposits are included as Gross Turnover at the time of receipt and may be deducted from the Gross turnover only if and when repaid.
- iv. As a result of this an adjustment of -£1,418.03 was made due to deposits paid back within financial year 2020/21. Therefore, the Gross Turnover for 2020/21 is now calculated as £7,947.84.
- v. Internal Audit reviewed the financial records provided by the Accountancy Manager and, based on these records, confirmed that the Gross Turnover is £7,947.84 for financial year 2020/21.
- vi. It is noted that Covid-19 had a significant impact on income generating areas delivered on site at Blackfriars Priory and that this is reflected within the Gross Turnover figure achieved in 2020/21. The comparative figure for 2019/20 Gross Turnover was £64,135.44.

Conclusion

Internal Audit has gained assurance that the requirements of the lease agreement have been met. Appropriate adjustments have been made in accordance with Schedule 2 deposits received and paid back by the Council in the financial year 2020/21.

Based on this outcome, the Gross Turnover certificate has been signed off in respect of £7,947.84 received in financial year 2020/21.

Management Actions

No management actions required.

Service Area: Policy and Resources**Audit Activity: Lost Sales, Fees and Charges Claim Three****Background**

Covid-19 has impacted councils' abilities to generate revenues in several service areas because of lockdown, government restrictions, and social distancing measures related to the pandemic.

The MHCLG has introduced a one-off income loss scheme to help compensate for a proportion of the irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services in the financial year 2020/21.

There are a total of three claims covering the periods of April 2020 to July 2020, August 2020 to November 2020, and December 2020 to March 2021.

The scheme also requires a reconciliation process to be completed by the Council after the submission of the third claim and is due to account for losses claimed for in the early part of the scheme that may ultimately be recoverable, and others that might ultimately be irrecoverable when recoverability was originally considered possible.

The reconciliation process has not taken place to date (August 2021) and the Council await further MHCLG guidance on the area.

Scope

To review the Lost Sales, Fees and Charges claim three (December 2020 to March 2021) to provide assurance that the claim has been submitted in line with the guidance from the MHCLG.

Key Findings

- i. The records supplied by the Council's Finance Team identified that applicable loss income in 2020/21 under the Lost Sales, Fees and Charges scheme claim three totalled £860,000.
- ii. Internal Audit selected and reviewed four income sources (off-street parking, culture and heritage, markets and garden waste) accounting for 70% of applicable losses to ensure that the budget had been correctly calculated, all lost income was in accordance with the three principles of the scheme, within the relevant period under the claim (December 2020 to March 2021) and was as shown within the Council financial management system. No issues were identified.

- iii. When reviewing claims one and two of the Lost Sales, Fees and Charges scheme, Internal Audit identified monies which had been incorrectly coded as income. Internal Audit confirmed that this had been corrected as part of claim three and because of this the Council were able to add an additional £90,000 to its claim.
- iv. One income source, Public Transport, was identified by the Accountancy Manager as having no net income loss across the financial year. Therefore, as part of claim three, monies received for this area to date were deducted and repaid. However, the Council did not reclaim the initial deduction for this area taken in claim one and can therefore claim an additional £2,245 as part of the reconciliation due to take place after claim three.
- v. Internal Audit confirmed that the parameters set out in the formula for the scheme have been correctly applied to the applicable losses claimed for in this period (December 2020 to March 2021).

Conclusion

The Council submitted a claim for £860,000 under this scheme for December 2020 to March 2021.

Internal Audit sample testing confirmed the correct calculation of losses and application of the parameters during this period, including the repayment of claims as part of the Public Transport budget. As a result of this and as part of the reconciliation exercise due to take place, the Council can reclaim the initial deduction of £2,245 taken in claim one relevant to the Public Transport budget.

Management Actions

No management actions required specific to claim three.

Summary of Special Investigations/Counter Fraud Activities

Current Status

To date in 2021/22, there have been three new irregularities referred to the ARA Counter Fraud Team (CFT). This is in addition to two cases brought forward from prior year.

As at August 2021, two cases have now been closed and the outcomes on the remaining three cases will be reported to the Audit and Governance Committee on their conclusion.

Both of the closed cases were in relation to animal welfare concerns. One case was related to an issue outside of the Gloucester area and was referred to the appropriate council for review. The second case was reviewed and then closed due to insufficient information and evidence.

In addition, the ARA CFT in conjunction with the Council's Intelligent Client Officer (Revenues and Benefits) have continued to work on three cases carried forward from 2020/21 in respect of Covid-19 Government issued small business grant payments.

Several potential attempted frauds have been intercepted and prevented through appropriate actions. This is due to a combination of local knowledge and also the national communications being swiftly cascaded to teams where more national targeted frauds are shared for the purpose of prevention.

The CFT continues to provide support and guidance to Council staff in respect of Interviews Under Caution, court file preparation and taking witness statements where required.

Any fraud alerts received by Internal Audit from National Anti-Fraud Network (NAFN) and other credible organisations continue to be passed onto the relevant service areas within the Council, to alert staff to the potential fraud.

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data collections for the 2021/22 exercise have been uploaded to the Cabinet Office as at October 2020. The data matching reports were then released at the end of January 2021.

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

Examples of data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol. Not all NFI matches are always investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area within the Council.

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Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Governance Committee	Comments
Council Wide	Health and Safety Limited Assurance Second Follow Up	1	Planned				
Council Wide	IT Disaster Recovery and Business Continuity Follow Up	1	Audit in Progress				Brought Forward from 20/21 plan. Audit conclusion meeting to occur August 21. Outcomes to be presented to Committee in November 21.
Council Wide	Complaints Procedure	2	Planned				Deferred from 20/21. Agreed through the Revised Internal Audit Plan 20/21.
Council Wide	Agency Staff	2	Planned				Deferred from 20/21. Agreed through the Revised Internal Audit Plan 20/21.
Council Wide	Employee Code of Conduct	1	Planned				Deferred from 20/21. Agreed through the Revised Internal Audit Plan 20/21.
Council Wide	Effective use of Probationary period	2	Planned				Deferred from 20/21. Agreed through the Revised Internal Audit Plan 20/21.
Council Wide	Patch Management	1	Final Report Issued	Substantial	Substantial	13/09/2021	Brought Forward from 20/21 plan.
Council Wide	Cyber Security	1	Audit in Progress				Brought Forward from 20/21 plan. Audit conclusion meeting to occur August 21. Outcomes to be presented to Committee in November 21.
Council Wide	PCI DSS	2	Planned				
Council Wide	Climate Change Strategy	1	Planned				
Council Wide	Covid Recovery Scheme - Plan and Financial Pressures	1	Planned				
Council Wide	Data Breaches and Breach Reporting	2	Audit in Progress				
Communities	Section 202 reviews	2	Planned				Deferred from 20/21. Agreed through the Revised Internal Audit Plan 20/21.
Communities	Tenancy Rescue	2	Planned				Deferred from 20/21. Agreed through the Revised Internal Audit Plan 20/21.
Communities	Social Values Policy	1	Planned				
Communities	Disabled Facilities Grant	2	Planned				
Communities	Homeless Outreach	2	Planned				
Communities	Compliance and Enforcement Grant	1	Final Report Issued	Not Applicable	Not Applicable	13/09/2021	New Activity.
Cultural Services	Cultural Strategy Review	1	Planned				
Cultural Services	Culture Recovery Fund	1	Audit in Progress				New Activity.
Place	Community Infrastructure Levy (CIL) and Section 106	1	Planned				Deferred from 20/21. Agreed through the Revised Internal Audit Plan 20/21.
Place	High Street Heritage Action Zone	2	Planned				
Place	Recycling Commodities	2	Planned				
Place	Recycling Credits	2	Planned				
Place	Planning - Processing and Performance	2	Planned				
Policy and Resources	Bank Reconciliation	1	Planned				Deferred from 20/21. Agreed through the Revised Internal Audit Plan 20/21.
Policy and Resources	Cemeteries and Crematorium – compliance with GDPR	2	Planned				Deferred from 20/21. Agreed through the Revised Internal Audit Plan 20/21.
Policy and Resources	Elections	1	Planned				Deferred from 20/21. Agreed through the Revised Internal Audit Plan 20/21.
Policy and Resources	Blackfriars Priory Turnover Certificate	1	Final Report Issued	Not Applicable	Not Applicable	13/09/2021	
Policy and Resources	Investment Portfolio Risk	1	Planned				
Policy and Resources	Technology Forge	1	Planned				
Policy and Resources	Procurement Cards	2	Audit in Progress				
Policy and Resources	Disposals - HKP	2	Planned				
Policy and Resources	Gloucestershire Airport	1	Planned				
Policy and Resources	Lost Sales, Fees and Charges Claim Three	1	Final Report Issued	Not Applicable	Not Applicable	13/09/2021	
Policy and Resources	Accounts Receivable	1	Planned				

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Meeting:	Audit and Governance Committee	Date:	13th September 2021
Subject:	Annual Governance Statement 2020/21		
Report Of:	Head of Audit Risk Assurance (ARA)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Piyush Fatania, Head of ARA		
	Email:	Tel:	01452
	piyush.fatania@gloucestershire.gov.uk	328883	
Appendices:	1: Annual Governance Statement 2020/21		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To summarise Gloucester City Council’s corporate governance arrangements in place during 2020/2021, via the publication of an Annual Governance Statement.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to RESOLVE to:

- Review and approve the Annual Governance Statement 2020/21 (including the actions planned by the Council to further enhance good governance arrangements), as set out in Appendix 1; and
- Agree that an update on actions taken by the Council to further enhance good governance arrangements will be provided to the January 2022 Audit and Governance Committee meeting.

3.0 Background and Key Issues

3.1 In April 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authorities Chief Executives (SOLACE) published ‘Delivering Good Governance in Local Government: Framework 2016’ and this applies to Annual Governance Statements prepared from the 2018/19 financial year. Guidance notes were also published to assist Council Leaders and Chief Executives in reviewing and testing their governance arrangements against the revised seven principles for good governance.

3.2 The key focus of the Framework is on sustainability: economic, social and environmental and the need to focus on the longer term and the impact actions may have on future generations.

3.3 In response to the above, we therefore:

- Reviewed the existing governance arrangements against the revised principles set out in the Framework;
- Developed and implemented a refreshed local code of corporate governance, based on the principles, including an assurance framework for ensuring ongoing effectiveness; and
- Will report publically, via the Annual Governance Statement on compliance with our code on an annual basis, how we have monitored the effectiveness of our governance arrangements in the year and on planned improvement areas.

3.4 The Annual Governance Statement is signed by the Leader, Managing Director (Head of Paid Service) and the Section 151 Officer and must accompany the Annual Statement of Accounts.

4.0 Social Value Considerations

4.1 There are no Social Value implications as a result of the recommendations made in this report.

5.0 Environmental Implications

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

6.0 Alternative Options Considered

6.1 There are no alternative options that are relevant to this matter.

7.0 Reasons for Recommendations

7.1 The Accounts and Audit Regulations 2015 require the Council to conduct an annual review of the effectiveness of the system of internal control and prepare an Annual Governance Statement. The Gloucester City Council Constitution confirms that it is the responsibility of the Audit and Governance Committee to review and approve the Annual Governance Statement.

8.0 Future Work and Conclusions

8.1 The improvement actions identified as part of the annual review and included within the Annual Governance Statement 2020/21 will be monitored by Senior Management and the Audit and Governance Committee during 2021/22. It is proposed that this will include an update report to Audit and Governance Committee in January 2022.

9.0 Financial Implications

9.1 There are no direct financial costs arising out of this report.

(Financial Services have been consulted in the preparation this report).

10.0 Legal Implications

10.1 Nothing specific arising from the report recommendations.

(One Legal have been consulted in the preparation this report).

11.0 Risk and Opportunity Management Implications

11.1 Failure to deliver effective governance will impact on the ability of the Council to achieve its vision, priorities and key actions. It is important to recognise that the purpose of the Annual Governance Statement is not just to be 'compliant', but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

13.0 Community Safety Implications

13.1 There are no Community Safety implications as a result of the recommendations made in this report.

14.0 Staffing and Trade Union Implications

14.1 There are no Staffing and Trade Union implications as a result of the recommendations made in this report.

Potential Media Interest – to be completed for SMT/Cabinet Briefing purposes. Remove prior to publication of report. Draft report to be sent pressoff@gloucestershire.gov.uk.

Background Documents: Council website links to supporting reports and documentation are made within the Annual Governance Statement 2020/21 (**Appendix 1**)

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Annual Governance Statement 2020-21

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Scope of Responsibility

Gloucester City Council (GCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

GCC acknowledges its responsibility for ensuring that there is effective governance within the Council and as such has developed a Code of Corporate Governance that defines the principles and practices that underpin the governance arrangements operating within the Council.

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The Code is reviewed and updated annually and is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance 'Delivering Good Governance in Local Government framework - 2016 Edition', the key focus being on sustainability i.e. economic, social and environmental and the need to focus on the longer term and the impact actions may have on future generations.

A copy of the Code can be accessed on the Council's website. However, a summary of the seven core principles upon which it is based can be found on page 9 of this document.

This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) (a) and (b), which requires the Council to prepare and publish an Annual Governance Statement (AGS).

The responsibility for leading and directing the annual reviews of the effectiveness of the Council's governance arrangements against the Code and providing ongoing oversight and robust challenge, is the Council's Statutory Officers, comprising, the Managing Director, Chief Financial Officer (S151 Officer) and the Monitoring Officer. When completed, the findings are reported to the Audit and Governance Committee, which identifies and monitors any improvement actions.

What is Governance?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- ❑ Leadership and management;
- ❑ Performance and risk management;
- ❑ Stewardship of public money; and
- ❑ Public engagement and outcomes for our citizens and service users.

What is the purpose of a Governance Framework?

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, the Council:

- ❑ Operates in a lawful, open, inclusive and honest manner;
- ❑ Makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud, properly accounted for and used economically, efficiently and effectively;
- ❑ Has effective arrangements for the management of risk;
- ❑ Secures continuous improvement in the way that it operates;
- ❑ Enables human, financial, environmental and other resources to be managed efficiently and effectively;
- ❑ Properly maintains records and information; and
- ❑ Ensures its values and ethical standards are met.

What is the Annual Governance Statement?

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement, in order to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year.

In this document the Council:

- ❑ Acknowledges its responsibility for ensuring that there is a sound system of governance;
- ❑ Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- ❑ Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- ❑ Provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and
- ❑ Reports on any key governance matters identified from this review and provides a commitment to addressing them.

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The Annual Governance Statement reports on the governance framework that has been in place at Gloucester City Council for the year ended 31st March and up to the date of approval of the statement of accounts.

It should be noted however, that any system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Council's Governance Assurance Framework, which underpins the AGS, has been in place at the Council for the year ended 31st March 2021 and up to the date of approval of the AGS and Statement of Accounts.

The Council is also aware that should the position change and a significant control issue is subsequently identified after the 31st March 2021 (and prior to the publication of the AGS in July or later), this will be brought to the attention of the Chief Financial Officer and an addendum provided to this statement.

What is a Governance Assurance Framework?

Assurance provides confidence, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved. An Assurance Framework is a structure within which Members and Senior Management identify the principal risks to the Council meeting its key objectives, and through which they map out both the key controls to manage them and how they have gained sufficient assurance about the effectiveness of those controls. The assurance framework underpins the statements made within the Annual Governance Statement.

A governance assurance process is in place to provide a framework for the annual assessment of the effectiveness of the governance arrangements operating within the Council. This includes overview and oversight and robust challenge by the Council's Statutory Officers i.e. the Managing Director, Monitoring Officer and Chief Financial Officer.

In addition, 'the three lines of defence assurance model' is in place which helps Members and Senior Management to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance.

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The Three Lines of Defence in effective Risk Management and Control

Assurance can come from many sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance. The three sources are:

- The **First Line** – functions that own and manage risks such as operational management has ownership, responsibility and accountability for directly identifying, assessing and controlling / mitigation risks.
- The **Second Line** – functions that oversee risks and ensures compliance such as Human Resources (HR), Finance, Information Technology (IT) and other control functions. This line monitors the effectiveness of risk management arrangements put in place by the first line and
- The **Third Line** – functions that provide independent assurance on the management of risks such as Internal Audit. In addition to internal governance arrangements, External Auditors, regulators and other bodies reside outside of the Council's structure, but have an

important role in the Council's overall governance and control structure. This framework helps the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported. Please see page 8 below which summarises the Council's assurance framework, which is based on the three lines of defence model.

What is the Council's Governance, Risk and Control Assurance Framework?

Annual Governance Statement (AGS)

Governing Body / Audit and Governance Committee
(AGS Approval Committee)

Managing Director, Chief Financial Officer, Monitoring Officer, Senior Management Team
(Provides oversight of the 3 lines of defence assurance framework)

2nd Line of Defence
Risk Control and Compliance
Functions that oversee risks

- Financial Control
- Inspection
- Risk Management
- Quality
- Compliance

1st Line of Defence
Risk Owners / Managers
Functions that are accountable, own and manage risk

- Operational Management
- Responsibility for directly assessing, controlling and mitigating risk
- Design and Implement Risk Control Measures
- Management / Supervisory Controls

3rd Line of Defence
Independent Risk Assurance
Functions that provide independent assurance

Internal Audit

Support and monitor

Validate 1st and 2nd line

- External Audit
- External Inspections
- Review Agencies
- Regulators

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How has the Annual Governance Statement been prepared?

In preparing the Annual Governance Statement the Council has:

- ❑ Reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;
- ❑ Reviewed the Local Code of Corporate Governance which reflects this guidance and includes the revised seven principles of good governance, the associated required actions and behaviours taken by the Council that demonstrate good governance; and
- ❑ Assessed the effectiveness of the Council's governance arrangements against the Local Code of Corporate Governance.

How does the Council monitor and evaluate the effectiveness of its governance arrangements?

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The Council annually reviews the effectiveness of its governance arrangements to ensure it supports the delivery of sustainable service outcomes and value for money. The key sources of assurance and information that inform this review are outlined below:

- ❑ The development and implementation of a Member / Management governance assurance framework which enables the Council to gain assurance that good governance actions and behaviours are operating within the Council;
- ❑ The work of Members and Senior Officers of the Council who have responsibility for good governance. This includes the Corporate Governance Group who is responsible for providing oversight, insight and foresight to ensure the principles of good governance are operating effectively. This group is chaired by the Managing Director and supported by the Chief Financial Officer, Monitoring Officer, Head of Law (Commercial and Property), Policy and Governance Manager, HR Business Partner and the Chief Internal Auditor;
- ❑ Any comments made by the Council's External Auditors and/ or any other review agencies and inspectorates;
- ❑ Reports on Risk Management activity during 2020-21;

- ❑ The Council's Risk Maturity Assessment which is Level 4 out of 5: Risk Managed – Established risk management with planned extension / development;
- ❑ The Head of Audit, Risk and Assurance (ARA)'s annual opinion has, provided a satisfactory independent opinion on the effectiveness of the Council's control environment comprising, risk management, control and governance. The opinion given is based on Internal Audit work undertaken, and despite emergency measures being implemented as a result of the pandemic. These measures resulted in a significant level of strain being placed on normal procedures and control arrangements.

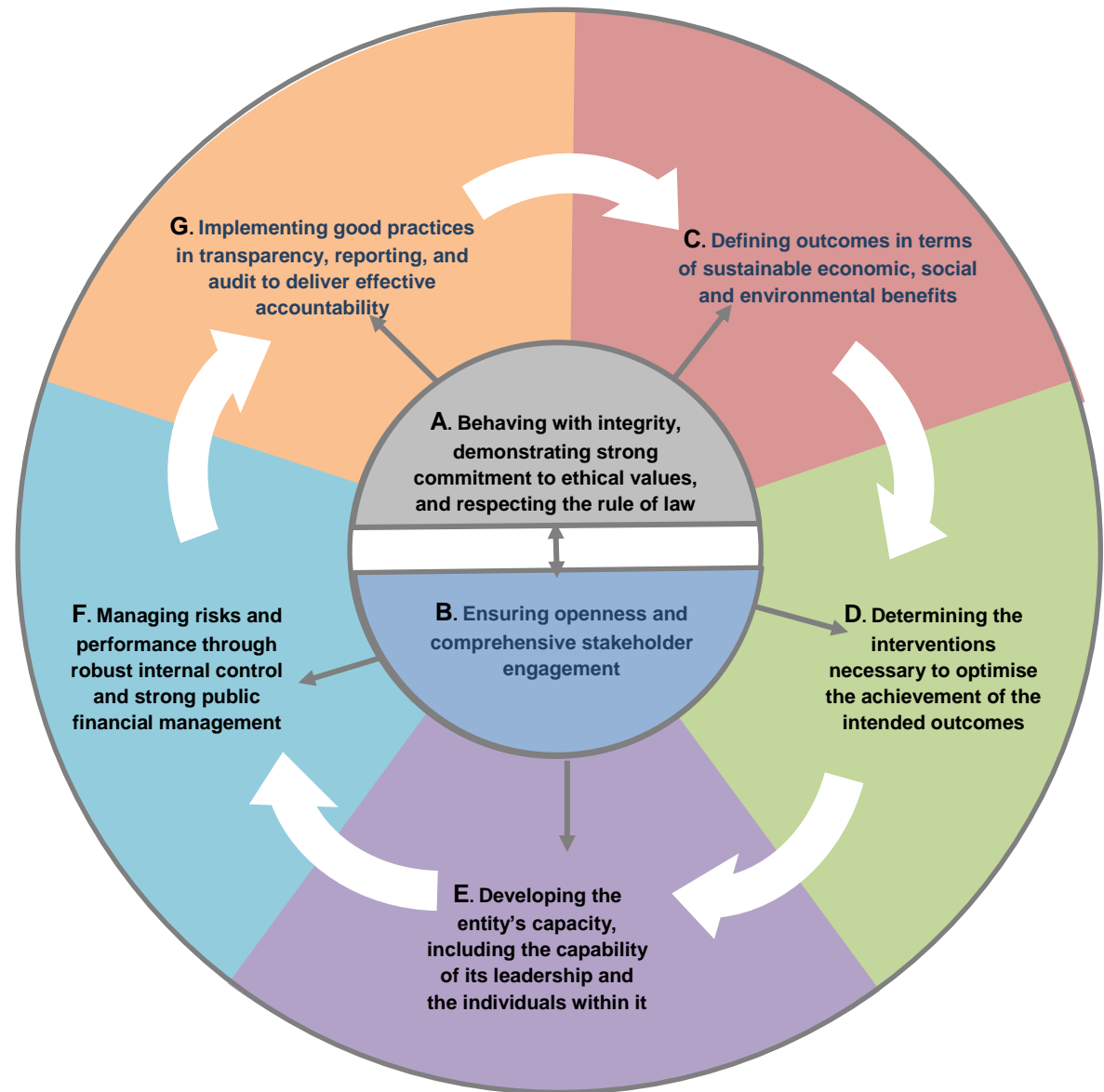
COVID-19 Impact on Governance

With significant organisational disruption, new emergency responsibilities, increased staff absence and also staff working from home, conducting the annual review has recognised the challenges from Coronavirus. The AGS assesses governance in place during 2020-21. Whilst Covid-19 affected how the Council operated, the impacts did not have a significant effect on governance arrangements during 2020. The impacts included changes to decision making arrangements, the conduct of meetings and the delivery of services. These fall into the following broad categories:

- ❑ Impact on business as usual in the delivery of services;
 - ❑ New areas of activity as part of the national response to coronavirus and any governance issues arising, such as Implementation of new policies and processes and emergency assistance;
 - ❑ The funding and logistical consequences of delivering the local government response, such as changes to council meetings and decision making arrangements, new collaborative arrangements and funding and cash flow challenges;
 - ❑ Assessment of the longer term disruption and consequences arising from the coronavirus pandemic, such as existing projects and programmes being put on hold, new priorities and objectives introduced and new risks identified or existing risks escalated.
- Governance issues within 2020-21 are discussed in the action plan below.

What are the key elements of GCC's Governance Framework?

The Council aims to achieve good standards of governance by adhering to the seven core principles below, which form the basis of the Council's Code of Corporate Governance:



The following pages provide a summary of actions and behaviours taken by the Council in relation to each of these seven core principles and associated sub principles.

Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Supporting Principles:

Behaving with integrity

Demonstrating strong commitment to ethical values

Respecting the Rule of Law

How we do this:

- ❖ The Council has an [Audit and Governance Committee](#) to promote high standards of Member conduct. Elected Members must follow a [Code of Conduct](#) to ensure high standards in the way they undertake their duties. The Monitoring Officer advises Members on the Code of Conduct.
- ❖ Officer behaviour is governed by the [Officers' Code of Conduct](#). The Code has been formulated to provide a set of standards of conduct expected of employees at work.
- ❖ External providers of services acting on behalf of the Council are also required to comply with the Code of Conduct.
- ❖ These Codes are regularly reviewed to ensure they are operating effectively.
- ❖ Corporate Governance Group oversees ethical conduct.

- ❖ Arrangements exist to ensure that Members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
 - Registers of disclosable conflicts of interests;
 - Declarations of disclosable conflicts of interests and disclosable other interests at the start of meetings; and
 - Registers of gifts and hospitality.
- ❖ A [corporate complaints procedure](#) exists to receive and respond to any complaints received.
- ❖ Actively seek to deter and prevent fraud and corruption and ensure where irregularity is suspected that it is thoroughly investigated.
- ❖ The required leadership and staff 'behaviours' are embedded into the performance appraisal process.

- ❖ The [Constitution](#) sets out the responsibilities of the Council, the Cabinet, Scrutiny and other Committees, as well as officers, including decision making powers.
- ❖ The Council has a duty to appoint three of its staff to specific roles, these being:
 - [The Head of Paid Service](#) (Managing Director), who has overall accountability for the governance arrangements operating within the Council.
 - [The Monitoring Officer](#) who has a key role in ensuring that decisions taken by the Council are within the law and the Council complies with the provisions of its Constitution.
 - [The Chief Financial Officer](#) is the principal financial adviser to the Council and is responsible for the proper administration of the Council's financial affairs and internal control environment.

Principle B

Ensuring openness and comprehensive stakeholder engagement

Supporting Principles:

Openness

Engaging comprehensively with institutional stakeholders

Engaging stakeholders effectively, including individual citizens and service users

How we do this:

- ❖ The [Gloucester City Council Plan 2017-2021 Extension](#) sets out our key objectives, actions, projects, measures and targets.
- ❖ [Cabinet Member decisions](#) and significant officer decisions are also reported on the Council's website.
- ❖ The Council publishes [an annual report on the activity of the Overview and Scrutiny Committee](#).
- ❖ Data is published in accordance with the [Local Government Transparency Code](#) which enables more power to be placed into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services.

- ❖ Elected Members are democratically accountable to their local area and this provides a clear leadership role in building sustainable communities.
- ❖ The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- ❖ Formal Public Consultation arrangements and public meetings held to ascertain stakeholder views prior to developing and implementing key policy changes.
- ❖ Developed and implemented alternative service delivery models to allow for resources to be used more efficiently and effectively.

- ❖ Elected Members have the opportunity to scrutinise decisions that have been taken by the Members through the 'call-in' mechanism. This allows an opportunity for further consideration of the issue before implemented.
- ❖ Have Your Say: If you have ever wanted to make your views heard, but simply don't have the time to attend public meetings or events, our free email alerts service will help keep you connected and updated on the things that matter to you and will enable you to have your say on a variety of issues and topics within Gloucester.
- ❖ City Life is the Council's digital newsletter for the residents of Gloucester. Latest issue is [here](#).

Principle C

Defining outcomes in terms of sustainable, economic, social and environmental benefits

Supporting Principles:

Defining outcomes

Sustainable economic, social and environmental benefits

How we do this:

- ❖ The [Joint Core Strategy](#) (JCS) is a partnership between Gloucester City Council, Cheltenham Borough Council and Tewkesbury Borough Council, supported by Gloucestershire County Council which will set out a strategic planning framework for the three areas.
- ❖ [Gloucester City Plan](#): Gloucester is a transforming, growing and regeneration City. Together with the Joint Core Strategy (JCS), the Gloucester City Plan (GCP) will continue Gloucester's regeneration journey by providing the development framework to guide the City's future growth up to 2031. It covers a timeframe of 15 years between 2016 and 2031.
- ❖ A Budget and Medium Term [Money Plan](#), Capital Programme and annual budget process ensure that financial resources are directed to the Council's priorities and targets. These are reported to and monitored by the Senior Management Team, Overview and Scrutiny Committee and Cabinet.

- ❖ Together Gloucester is a savings programme which has identified efficiency savings across the organisation in a systematic and considered manner.
- ❖ The Council aims to ensure that the purchase or commissioning of goods, services or works required to deliver services is acquired under Best Value terms.
- ❖ The Council has developed [business continuity plans](#) to ensure that critical service delivery can be maintained or recovered during an emergency.
- ❖ The Council's decision making process requires consideration of the 'sustainability' i.e. economic, social and environmental impacts of policies and plans when taking decisions about service provision.
- ❖ The Council works with partner organisations where there are shared objectives and clear economic benefits from joint working.
- ❖ Programme and project management arrangements require consideration of Political, Environmental, Societal (i.e. increased demand for a service and demographic changes), technological, legislative, economic and efficiency issues, risks and opportunities and value for money.

Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Supporting Principles:

Determining interventions

Planning interventions

Optimising achievement of intended outcomes

How we do this:

- ❖ The Council's decision making process ensures that decision makers receive objective and robust analysis of a variety of options indicating how the intended outcomes will be achieved, providing information on the risks and opportunities associated with those options, thus helping to inform those decisions.
- ❖ Public consultation is undertaken to ensure that feedback from citizens and service users are fully considered when making decisions about service improvements / changes.
- ❖ The Council has a [complaints](#) procedure to enable our customers to tell us how we are doing, whether good or bad, so we can review what we do and change the way we work to enable us to deliver excellent customer service.

- ❖ The Council has developed annual Service Plans, Service Level Agreements, Shared Service Agreements and contracts with defined outcomes and a balanced set of measures and risks to evaluate performance. These plans are aligned to the Council Plan, Joint Core Strategy and City Plan objectives.
- ❖ A strategic planning / performance framework and 'input to impact' methodology has been developed which enables individual service priorities link to the Council's priorities. This methodology requires consideration of the inputs, activities, outputs, outcomes and impacts associated with and needed to achieve these priorities. This then informs key performance indicators / targets.

- ❖ The Council has developed and implemented a [Budget and Medium Term Financial Plan](#).
- ❖ The financial plan demonstrates how the Council's financial resources will be deployed over the next five years to deliver declared aims and priorities.
- ❖ The Money Plan sets out the overall shape of the Council's budget by determining the level of resources that will be available and how these are currently allocated between services.
- ❖ The Council ensures the achievement of 'social value' (i.e. a way of thinking about how scarce resources are allocated and used when awarding a contract) when commissioning services and service planning.
- ❖ [Performance reporting](#) arrangements are in place analysing trends and latest budget position which are monitored at management and committee meetings and mitigation strategies are implemented to manage current and emerging risks.

Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it

Supporting Principles:

Developing the Council's capacity

How we do this:

- ❖ The Council participates in relevant benchmarking exercises and [peer reviews](#) to help inform how the resources are allocated, so that outcomes can be achieved effectively and efficiently.
- ❖ Collaborative working and alternative service delivery models are fully considered as part of the option appraisal process, when looking to determine how the Council's resources are allocated in order to meet our priorities.
- ❖ The Council has refreshed its workforce organisational development plan to align with the Council's new structure / operating model.
- ❖ A Talent Management Programme has been implemented to support succession planning and we are actively seeking to develop talent via our apprenticeship offering and support for staff undertaking professional qualifications.
- ❖ The Council has access to an Occupational Health Service that offers health assessments, health screening, health and well-being advice, ill health retirement advice, rehabilitation advice and advises managers on health related performance or attendance issues and an Employee Assistance Programme which provides staff counselling and advice.

Developing the capability of the Council's leadership and other individuals

- ❖ The Council's Constitution clearly defines the statutory and distinctive leadership roles of the Leader of the Council and the Managing Director, whereby the Managing Director leads on implementing strategy and managing the delivery of services and other requirements set by Members.
- ❖ A Members Development Programme is in operation, which supports continued Member development.
- ❖ The Council's staff performance appraisal process and talent assessment / management arrangements are in place. This provides an opportunity to reflect on how the individual is performing, what is going well and also where the individual may need further support or development as part of their role.
- ❖ The above includes leadership skills and behaviours as these behaviours are essential for the delivery of our key priorities, to continue to support our savings targets, and form part of our on-going commitment to personal and professional development.
- ❖ A comprehensive training and development offer is in place for managers and staff covering a range of core skills and leadership and management training. This includes a bespoke, modular programme for Senior Leaders and a dedicated Team Leader training programme in addition to a range of core skills training.
- ❖ Senior managers qualified at level 5 in coaching and mentoring and a joint coaching offer has been successfully launched with the County Council.

Principle F

Managing risks and performance through robust internal control and strong public financial management

Supporting Principles:

Managing Risk

How we do this:

- ❖ The Council has a [Risk Management Policy / Strategy](#) which clearly defines the roles and responsibilities for managing risk, confirming that risk management is an integral part of all our business activities including all aspects of business planning, option appraisals and decision making.
- ❖ Business Continuity arrangements are in place for critical services to ensure they can continue to operate in an emergency.
- ❖ [The Audit and Governance Committee](#) monitor the adequacy of the risk identification, monitoring and control of strategic and operational risk within the Council.

Managing Performance

- ❖ [Gloucester City Council Plan 2017-2021 Extension](#) outlines our four clear priorities i.e. Working to create a vibrant and prosperous city, to maintain a safe and attractive city, to build strong and resilient communities and to provide great services that ensure Value for Money.
- ❖ A business planning framework is in operation which sets out our key priorities/ tasks / targets / risks for the day job in order to meet these priorities.
- ❖ Officers hold bi-monthly performance meetings with their relevant Cabinet Portfolio Holder.
- ❖ Priorities are monitored through our performance, programme and project management framework and overseen by, and reported to the relevant

Robust internal control

- ❖ There is an Internal Audit (IA) service (100% compliant with Public Sector Internal Audit Standards). The annual Head of ARA's opinion of the Council's control environment comprising, risk management, control and governance. is provided on Page 8 of this report
- ❖ The Council takes fraud, corruption and maladministration very seriously and has established policies and processes which aim to prevent or deal with such occurrences. These can be found within the [Anti Fraud and Corruption Policy Statement and Strategy](#) and [confidential reporting procedure \(Whistleblowing\)](#).
- ❖ Audit and Governance Committee is responsible for monitoring and reviewing the above.

Managing Data

- ❖ Data is managed in accordance with the law. The key information management and security policies in place or being refreshed are: The [Data Protection Policy](#), [Freedom of Information Publication Scheme](#) and Information Security Incident Management Policy.
- ❖ Information Sharing protocols are in place when sharing data with third parties.
- ❖ Policy ownership rests with the Senior Information Risk Officer (SIRO) and the Information Security Board Members who are responsible for agreeing, monitoring, promoting and reviewing Policy implementation.

Strong public financial management

- ❖ Robust budget management arrangements are in place including monitoring and review by the [Overview and Scrutiny Committee and Cabinet](#).
- ❖ External Audit review and report on the [Council's financial statements](#) (including the [Annual Governance Statement](#)), providing an opinion on the accounts and concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
- ❖ The Audit and Governance Committee monitor the effectiveness of the Chief Financial Officer's responsibility for ensuring an adequate internal / financial control environment.

Principle G

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Supporting Principles:

Implementing good practices in transparency

Implementing good practices in reporting

Assurance and effective accountability

How we do this:

- ❖ Agendas and minutes of Council, Cabinet and Committee meetings including Scrutiny are publicly available on the [Council's website](#).
- ❖ The Council has a [Freedom of Information Act publication scheme](#) (to ensure the members of the public have access to all recorded information held by the Council).
- ❖ Compliance with [the Local Government Data Transparency Code](#) which sets out the minimum data that the Council should be publishing, the frequency it should be published and how it should be published e.g. expenditure exceeding £500, grants to voluntary, community and social enterprise organisations, senior salaries etc. This makes it easier for local people to contribute to the local decision making processes and help to shape public services.

- ❖ The published [Annual Statement of Accounts](#) is the statutory summary of the Council's financial affairs for the financial year. The purpose of the Annual Statement of Accounts is to give clear information on the income and expenditure of the Council and to demonstrate the Council's stewardship of public money for the year.
- ❖ The Council publishes an [Annual Governance Statement](#) in order to report how we have monitored the effectiveness of our governance arrangements (self assessed against the seven key principles set out within our Code of Corporate Governance) in year and on any planned changes in the coming year.
- ❖ The [Audit and Governance Committee review and approve the Annual Statement of Accounts and Annual Governance Statement](#).

- ❖ Accountability and decision making arrangements are clearly defined within the Council's Constitution. These accountabilities include arrangements when delivering services with our key partners.
- ❖ The Audit and Governance Committee provide independent assurance to the Council on the adequacy and effectiveness of the governance arrangements and internal control environment operating within the Council.
- ❖ [Risk based internal auditing provides ongoing assurance that the key risks material to achieving the Council's objectives are being managed.](#)
- ❖ Peer reviews and benchmarking undertaken to ascertain good practice and implement improvements as identified.

What are the key roles of those responsible for developing and maintaining the Governance Framework?

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The Council	<ul style="list-style-type: none"> - Approves the Council Plan. - Approves the Constitution (including Standing Orders and Financial Regulations). - Approves key policies and budgetary framework.
Cabinet	<ul style="list-style-type: none"> - The main decision-making body of the Council. - Comprises six Cabinet Members (including the Leader) who have responsibility for particular portfolios.
Audit and Governance Committee	<ul style="list-style-type: none"> - Provides independent assurance to The Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment. - Promotes high standards of Member conduct and approves the Annual Statement of Accounts and Annual Governance Statement.
Committees	<ul style="list-style-type: none"> - There are four main Committees (excluding the Audit and Governance Committee). The Overview and Scrutiny Committee scrutinises the Council's performance. The Planning Committee and Licencing Enforcement Committee oversee relevant regulatory matters and the General Purposes Committee makes recommendations to Council on a range of matters including amendments to the Constitution and electoral matters.
Managing Director (MD) Senior Management Team	<ul style="list-style-type: none"> - The Managing Director has overall accountability for the governance framework. - Implements the policy and budgetary framework set by the Council and provides advice to Cabinet and the Council on the development of future policy and budgetary issues and oversees the implementation of Council policy.
Chief Financial Officer (s151)	<ul style="list-style-type: none"> - Accountability for developing and maintaining the Council's governance, risk and control framework. - Contribute to the effective corporate management and governance of the Council.
Monitoring Officer	<ul style="list-style-type: none"> - To advise the Council on ethical issues, standards and powers to ensure The Council operates within the law and statutory Codes of Practice. - Overall responsibility for the maintenance and operation of the Confidential Reporting Procedure for Employees. (Whistleblowing) and contributes to the effective corporate management and governance of the Council.
Internal Audit	<ul style="list-style-type: none"> - Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. - Delivers an annual programme of risk based audit activity, including counter fraud and investigation activity. - Makes recommendations for improvements in the management of risk.
External Audit	<ul style="list-style-type: none"> - Audit / review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
Managers	<ul style="list-style-type: none"> - Responsible for developing, maintaining and implementing the Council's governance, risk and control framework. - Contribute to the effective corporate management and governance of the Council.

How has the Council addressed the governance improvement actions from 2019-20

The Annual Governance Statement 2019-20 contained the following key improvement actions. Details of the issues and how they have been addressed during the year have been reported to the Audit and Governance Committee at their meeting on 20th January 2020.

Please note that whilst improvement plans are in place to address these issues, due to their significance in relation to governance and inherent risk, one of these actions have been carried forward into the 2020-21 Action Plan to enable their ongoing monitoring.

AGS 2019-20 review reference	Action	Position as at 31 st March 2021
AGS Assurance Framework	Future Financial Sustainability / Efficiency Savings	Carried forward into the 2020-21 AGS Action Plan.
AGS Assurance Framework	Together Gloucester Service Transformation	The transformation programme continues with Transformation team now established roles in the Council structure, reporting to the Head of Policy & Resources. This is to ensure the Council continues to manage change efficiently and effectively.

What are the key 2020-21 Governance matters identified?

The review of the effectiveness of the Council’s governance framework has identified the following actions that will need to be addressed during 2021-22, which includes the carried forward action from 2019-20.

Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
AGS Assurance Framework	<p>Future Financial Sustainability / Efficiency Savings / Covid-19 Impact-</p> <p>Close monitoring of budgets has been and will continue to be carried out in each financial year. Continuous monitoring of service pressures and ongoing focus on preventative support will continue. The Council during 2020/21 continued to lobby and work with Government for additional Covid funding and will continue to do so.</p>	31st March 2022	Head of Policy and Resources
AGS Assurance Framework	<p>COVID – 19 Impact on Governance</p> <p>The lockdown which occurred in March last year was immediate in its effect and required officers to work from home and the suspension of in-person committee meetings, It is pleasing, therefore, that the Council was able to promptly implement changes which enabled services to be delivered, governance and transparency to continue and scrutiny by Members to take place.</p> <p>Measures were put in place to deliver democratic decision-making and the Council continued holding all Committee meetings virtually using digital/remote technologies. The Council responded promptly to the lockdown, and fast-tracked the roll out of laptops and headsets to Councillors to enable remote meetings. The Council has now returned to holding Committee meetings in person.</p> <p>Officers adapted quickly to working from home and were able to provide much needed services to our local communities. The delivery of the majority of Council services via home working continues and this will continue to some extent even when the lockdown eventually ceases.</p> <p>The Council was responsible for effectively disbursing millions of pounds of grant monies to individuals and local businesses, in challenging timescales, as part of the government’s assistance programs.</p> <p>The Council documented when delegations and waivers were used to facilitate full reporting once governance norms are re-established.</p>	31st March 2022	Head of Policy and Resources

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Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
	<p>The Council also supported and co-ordinated a significant community led response to the pandemic including the administration of a £80k community fund, local delivery of a Community Help Hub and support to a network of street champions.</p> <p>Since October 2020, the transfer of focus from response to recovery was reversed and the Council supported new initiatives to respond to the second wave of infection transmission including the deployment of Community Support Officers, financial and in-kind support to ensure continued access to food, grants to voluntary organisations, making land available for local testing, advice and support (and enforcement) to businesses and the provision of grants.</p> <p>An eight-strand Recovery Plan was adopted to return (restart suspended services), retain (keep and sustain any improved new ways of working), resist (resist the temptation to simply return to doing things as before) and reimagine (consider new ways of delivering services after the pandemic) Council Services. All eight strands have been subject to Overview and Scrutiny.</p> <p>A review of corporate risk management is being undertaken. This will assess risk management processes within the Council and review these against current guidance and best practice requirements. This review is an opportunity to benchmark the Council's risk management approach and support a positive direction of travel on the area.</p> <p>The Council's Corporate Directors will both leave their posts in early 2021/22 – one due to retirement and the other to pursue a different career path. The Council can be assured that effective leadership, continuity and resilience continues to be provided by the senior management team. Additional interim resource has been secured to provide further resilience and Monitoring Officer duties while the outcome of any review of senior management is undertaken and recruitment is completed.</p> <p>The local elections were postponed in 2020. These took place in May 2021 and have seen quite a high volume of new Members in 2021. The Council established and is delivering a robust program of induction of Member training, development and support.</p> <p>It is also pleasing that, given the tremendous challenges of the last year, there have been no Limited Assurance outcomes have been reported to date for 2020/21 from ARA activity. Furthermore, no diminution of service or governance has been reported in assurance statements completed by management.</p>		

Review Reference	Governance matters identified/actions taken	Target Date	Lead Officer
	<p>There are to planned audits in 2021-22 that will further enhance the Council's governance arrangements:</p> <ul style="list-style-type: none"> Climate Change Strategy – With the objective of the Council to be Carbon Neutral by 2030. This will have governance impacts throughout the Council. <p>Investment Portfolio Risk – The investments into the regeneration of the City underpin the vision set out by the Council. These have a strategic significance in the Council meeting its objectives.</p> <p>With both of the above, governance arrangements surrounding them will be looked at and advised upon to ensure they are suitable and are happening as intended.</p>		

Certification

The annual review assesses the Council's governance arrangements in place during 2020-21, so the majority of the year will be unaffected by coronavirus. Therefore to the best of our knowledge, the governance arrangements as defined above and within the Council's Local Code of Corporate Governance have been operating effectively with the exception of those areas identified on pages 22 – 23.

Covid-19 continues to have an international, national and local impact. The scale of challenges posed to the Council should not be underestimated. Nonetheless, despite these challenges, the Council responded positively and continues to deliver effective services to its residents. However coronavirus will have impacted on governance during March 2020 and therefore during the current emergency, unprecedented pace of change and degree of uncertainty, would naturally carry a lower level of confidence.

Over the coming year, the Council will continue to be vigilant to identify risks to its operations and will address these accordingly, and to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

We will also ensure that the AGS is current at the time of publication and reflects any further impacts on governance. Where necessary a second conclusion on the adequacy of governance arrangements during this period will be included to make clear the impact.

Signed:

Richard Cook
Leader of the Council

Jon McGinty
Managing Director

Date:

I can confirm that the Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2016.

Signed: _____

Jon Topping – Chief Financial Officer (S151 Officer)

Date: _____

Gloucester City Council
Audit and Governance Work Programme 2021-2022
(Updated 27 August 2021)

Item	Format	Committees	Lead Officer	Comments
13rd September 2021				
1. Deloitte External Audit Report 2020/21 (ISA 260 to those charged with Governance)	Written Report	Audit and Gov	Head of Policy and Resources	Part of Committee's annual work programme
2. Statement of Accounts	Written report	Audit and Gov	Head of Policy and Resources	Part of the Committee's annual work programme
3. Internal Audit Activity 2021/22 – Progress Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
4. Annual Governance Statement, Local Code of Corporate Governance and Council Wide Assurance Map 2021/22	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
5. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
16th November 2021				
1. Annual Audit Letter 2021/22	Written Report	Audit and Gov	Deloitte	Part of the Committee's annual work programme
2. Treasury Management Performance 2021/22 Six Monthly Update	Written Report	Audit and Gov Cabinet	Head of Policy and Resources	Part of the Committee's annual work programme
3. Internal Audit Activity 2021/22 – Progress Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual work programme
4. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
18th January 2022				

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Agenda Item 10

1. Deloitte – Grants Audit Report	Written Report	Audit and Gov	Deloitte	Part of the Committee’s annual work programme
2. Internal Audit Plan 2021/22 – Progress Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee’s annual work programme
3. Annual Governance Statement Improvement Plan 2020/21 Update	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee’s annual work programme
4. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
8th March 2022				
1. Annual Risk Management Report 2021/22 and Strategic Risk Register	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee’s annual work programme
2. Internal Audit Activity 2021/22 – progress report.	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee’s annual work programme
3. Internal Audit Plan 2022-23	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee’s annual work programme
4. Annual Report of the Audit and Governance Committee	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee’s annual work programme
5. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item