Audit and Governance Committee

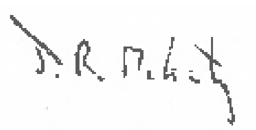
Meeting: Monday, 4th March 2024 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

Membership:	Cllrs. Wilson (Chair), Gravells MBE (Vice-Chair), Bowkett, Brooker, Durdey, Morgan, Patel, Sawyer and Tervet
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 nonpecuniary, 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 15January 2024.
4.	**PUBLIC QUESTION TIME (15 MINUTES)** The opportunity is given to members of the public to put questions to the Chair provided that questions do not contravene the provisions set out Council Procedure Rule 10.01. To ask a question at this meeting, please submit it to democratic.services@gloucester.gov.uk by 12 noon on 28 Wednesday or telephone 01452 396203 for support. Questions and responses will be published at least 24 hours before the meeting. Supplementary questions may be put and answered during the meeting, subject to the relevant time limit.
5.	**PETITIONS AND DEPUTATIONS (15 MINUTES)** The opportunity is given to members of the public to present a petition or deputation provided that any such petition or deputation does not contravene the provisions set out Council Procedure Rule 11.01. To present a petition or deputation at this meeting, please provide the subject matter to democratic.services@gloucester.gov.uk by 12 noon on 28 Wednesday or telephone 01452 396203 for support.
6.	**EXTERNAL AUDIT UPDATE**

	To receive a verbal update from the extenal auditors.
7.	**STATEMENT OF ACCOUNTS 2021-22** (Pages 9 - 94) To receive the accounts for 2021-22
8.	**INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2023/24** (Pages 95 - 120) To receive the quarterly progress report on Internal Audit activity. Includes the final audit opinion on s. 106 agreements.
9.	**DRAFT INTERNAL AUDIT PLAN 2024/25** (Pages 121 - 126) To consider the draft plan for the coming financial year.
10.	**CAPITAL STRATEGY 2024/25** (Pages 127 - 138) To consider the report of the Cabinet Member for Performance and Resources proposing that Members recommend that Council approves the draft Capital Strategy 2024/25.
11.	**TREASURY MANAGEMENT STRATEGY 2024-25** (Pages 139 - 176) To consider the report of the Cabinet Member for Performance and Resources seeking Members to recommend that Council approves the Treasury Management Strategy, the prudential indicators and notes the Treasury activities.
12.	**AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME** (Pages 177 - 178) To consider the work programme.
13.	**DATE OF NEXT MEETING** Monday 15 July at 6.30pm in the Civic Suite, North Warehouse, The Docks



Jon McGinty
Managing Director

Date of Publication: Friday, 23 February 2024

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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 –

Interest	Prescribed description
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

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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, 15th January 2024

PRESENT : Cllrs. Wilson (Chair), Gravells MBE (Vice-Chair), Bowkett, Durdey, Morgan, Patel, Sawyer and Tervet

Others in Attendance

Monitoring Officer
Financial Services Manager
Head of ARA
Principal Auditor
Democratic and Electoral Services Team Leader

APOLOGIES : Cllrs. Brooker

39. DECLARATIONS OF INTEREST

There were no declarations of interest.

40. MINUTES

RESOLVED that:- The minutes of the meeting held on 13 November 2023 were agreed and signed as a correct record by the Chair.

41. PUBLIC QUESTION TIME (15 MINUTES)

There were no public questions.

42. PETITIONS AND DEPUTATIONS (15 MINUTES)

There were no petitions nor deputations.

43. 2021/22 ACCOUNTS - EXTERNAL AUDIT

43.1 The Financial Services Manager explained that the external auditors were yet to complete their work in relation to the 2021-22 accounts and it was anticipated that this would be completed by the end of the month. The team would then subsequently move to finalising the accounts for the following year.

43.2 The Chair noted his disappointed that the external auditors had not yet completed and it was confirmed that this would item would be considered at the March Committee meeting.

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

44. INTERNAL AUDIT ACTIVITY QUARTERLY PROGRESS REPORT 2023-24

44.1 The Head of Audit Risk and Assurance (ARA) outlined internal audit activity in the relevant quarter. He advised that there were 5 in progress, and that one of these did not require any form of assurance level. He also provided an update on work undertaken by the Counter Fraud Team. There had been 7 referrals in the period and one of these had been closed. The remainder would be reported on completion.

44.2 The Chair noted that the first three items were considered high priority and queried whether there was sufficient control in relation to an excessive number of staff having access to systems. The Principal Auditor advised that the audit report would show sufficient detailed information and that the Internal Audit Team always sought to provide sufficient assurance.

44.3 Both the Chair and Vice-Chair praised the good work for highlighting risk in this area. It was further confirmed by the Head of ARA that the two medium levels of assurance in relation to Gloucestershire Airport would be followed up.

44.4 Councillor Bowkett asked if it was possible that medium levels of assurance could be escalated. The Head of ARA confirmed that this was possible but that the Internal Audit Team always sought to mitigate risk.

44.5 The Principal Auditor confirmed that an audit related to homelessness would be competed for March and that an audit relating to the statutes and monuments review had been deferred due to capacity matters.

RESOLVED that:- the Audit and Governance Committee accept the progress against the Internal Audit Plan 2023-24.

45. STRATEGIC RISK REGISTER

45.1 The Principal Auditor introduced the update on the Strategic Risk Register highlighting risk and relevant mitigation. The Chair shared his view that this was a particularly useful document and that Members would be prudent to read and understand. The Head of ARA advised that he would seek clarification on whether benchmarking for the first quarter of 2024/25 would take place.

RESOLVED that:- the Audit and Governance Committee note and endorse the Strategic Risk Register.

46. TREASURY MANAGEMENT - QUARTERLY UPDATE

46.1 The Head of Finance and Resources introduced the report and advised Members that it was as a result of recent CIPFA recommendation. It outlined finances for expenditure that no new long term borrowing had taken place and what the current rates of interest were. He advised that base rates had increased but how now stabilised.

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

47. REVIEWED WHISTLEBLOWING POLICY

47.1 The Monitoring Officer introduced that a review of whistleblowing policies and procedures related to whistleblowing. She advised that there was nothing fundamentally wrong with policies and processes, but such a policy benefitted from periodic reviews. She noted the finding that there was a level of reluctance to raise issues with managers. She advised that there would be a range of options for Council Officers.

47.2 The Chair queried whether this could remain operational in the situation where there was no Monitoring Officer. The Monitoring Officer advised that as there was a statutory duty to appoint such an Officer, this situation would not arise.

47.3 In response to a query from Councillor Sawyer as to whether the contents of complaints would be included in future reporting of reviews, the Monitoring Officer advised that, due to confidentiality, it would be numbers of complaints that were reported rather than the details of such complaints. The Monitoring Officer also advised in response to a question from Councillor Patel, regarding whether there was an indication of complaints against management, that the focus was on trends rather than finer details.

RESOLVED that:- that Audit and Governance Committee agree the updated Whistleblowing Policy as set out at Appendix 1.

48. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

48.1 As the Strategic Risk Register had been reported at this meeting, it was to be removed from the Work Programme for March Committee.

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

49. DATE OF NEXT MEETING

Monday 4 March 2024 at 6.30pm.

Time of commencement: 6.30 pm hours
Time of conclusion: 7.40 pm hours

Chair

GLOUCESTER CITY COUNCIL
2021/22 STATEMENT OF ACCOUNTS

CONTENTS

INTRODUCTION

Gloucester City Council
Welcome to the Statement of Accounts 2021/22

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 2025/26. We are confident of achieving future savings targets we have set ourselves 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

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.

Greg Maw
Head of Finance and Resources (Section 151 Officer)

Gloucester City Council
North Warehouse
The Docks
Gloucester, GL1 2FB

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NARRATIVE REPORT

1. Introduction

The Statement of Accounts presents the financial position of the Council for the year ended 31 March 2022. 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 2022.

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.

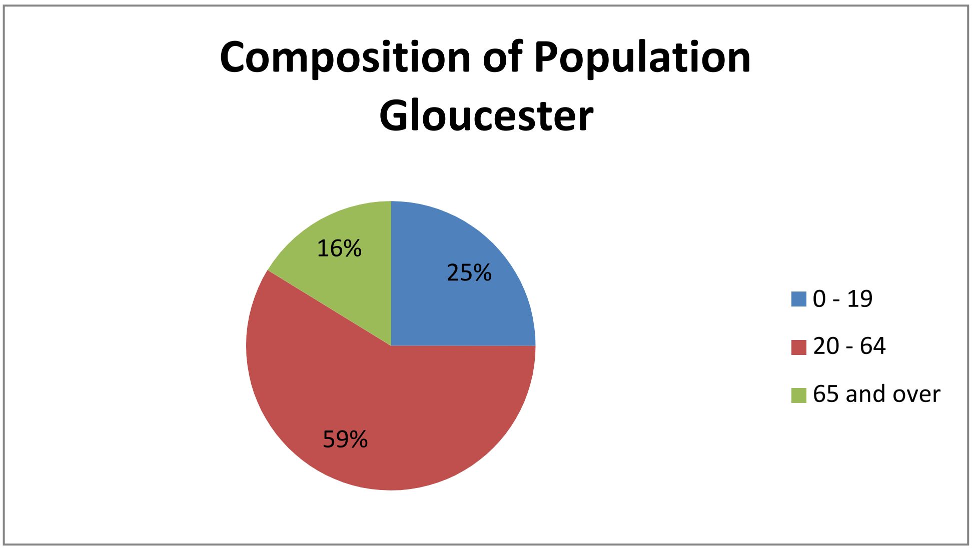
It has one of the richest heritage offerings in the country, from its time as a Roman colony, to one of the three most important medieval cities in England, then its development into an industrial centre. It is home to one of the finest medieval buildings in the country: the breath-taking cathedral which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



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.

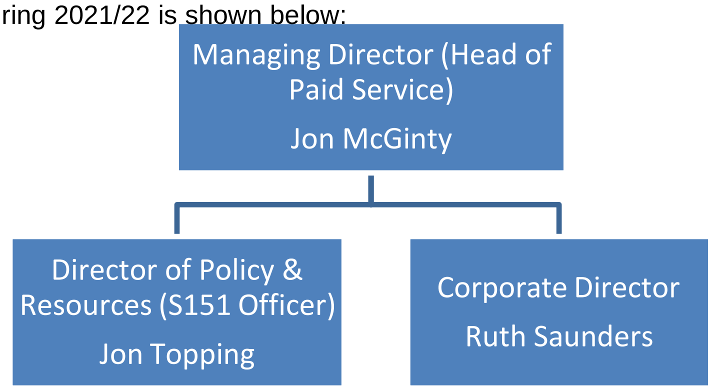
In 2021/22 Gloucester had 18 wards. Residents of the City were represented by 39 Councillors during 2021/22, the Council hold elections every four years the last being in May 2021.

The political make up of the Council for 2021/22 was:

Party	No of Councillors
Conservative Party	26 Councillors
Liberal Democratic Party	10 Councillors
Labour Party	3 Councillors

Overall control of the Council sits with the Conservative party with a majority of 13 seats. Representatives from Conservative, Labour, Liberal Democrat hold seats on the Council.

The Council employs a work force of approximately 226 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 2021/22 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 2021/22:

Mayor and Deputy Mayor in the 2021/22 Municipal Year

Mayor - Councillor C Finnegan
Sheriff and Deputy Mayor - Councillor P Tracey

3. About Gloucester City Council (Continued)

Cabinet in 2021/22

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 Hudson
Cabinet Member Planning & Housing Strategy - Councillor S Chambers
Cabinet Member Culture & Leisure - Councillor A Lewis

Chair of Committees in 2021/22

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

Chief Officers in 2021/22

Managing Director (Head of Paid Service) - Mr J McGinty
Corporate Director - Mrs A Brinkhoff (until May 21)
Corporate Director (Monitoring Officer) - Mr J Lund (until July 21)
Corporate Director - Mrs R Saunders (Jan 2022)
Director of Policy & Resources (Section 151 Officer) - Mr J Topping

4. A summary of Financial Performance

The COVID19 global pandemic continued to impact on the financial performance of the Council during 2021-22 and this impact is reflected in the financial outturn position. The continued impact of the pandemic saw the Council continue to support residents and businesses in the city, as the Country started to live with the virus.

The cyber incident in December 2021 has led to further financial pressures for the Council and disruption to the collation of this Financial Outturn report. The 2021/22 Outturn figure includes all the costs incurred and committed relating to recovery activities prior to the end of the financial year. The Council has secured several sources of Government funding to support its recovery from the incident totalling £250k

A further impact as a result of the pandemic is within the Council's reserves. 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 relied 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 the previous year will be charged to the General Fund 2021/22. As a result reserve created in 2020/21 will be drawn down in 2021/22 to match the expenditure.

The spending review 2020 announced in November 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 2022/23. The Council's future financial planning will reflect the expected implications.

The 2021/22 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 £13.980m was approved by Cabinet and Council in February 2021. 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 2021/22. The Money Plan included an increase in Council Tax of £5 which resulted in an income from Council Tax of £8.081m.

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 £252k decrease in the General Fund.

4. A Summary of Financial Performance (Continued)

Service	2021/22 Budget £000	Year End Outturn £000	Variance £000
Internal Audit	198	180	(18)
Financial and Corporate	805	(2,349)	(3,154)
Business Support	361	417	56
Revenues and Benefits Admin	915	324	(591)
Housing Subsidy	(377)	310	688
Parking	(1,583)	(828)	755
Asset Management	1,001	1,370	369
Commercial Property	(2,617)	(6,273)	(3,656)
IT	1,898	2,052	154
Human Resources	281	450	169
Communications	88	89	2
Legal Services	407	426	19
Contact Centre and Customer Services	384	528	144
Democratic Services	824	903	79
Economic Development	158	362	204
Licensing	(140)	(100)	40
Markets and Street Trading	(87)	(79)	8
Museums	578	723	145
Food and Drink	410	614	204
Guildhall	285	249	(36)
Aspire Client	(30)	115	145
Destination Marketing	176	271	95
Waste and Streetcare	4,554	4,118	(436)
Neighbourhood and Parks Management	458	932	474
Countryside	98	126	28
Climate Change and Environment	64	110	46
Environmental Health	188	215	26
Cemetery and Crematorium	(1,514)	(1,118)	396
Heritage	115	1,058	943
Senior Management	373	427	55
Voluntary Sector Grants	125	(7)	(132)
Community Strategy and Other Projects	688	1,194	506
Homelessness	1,121	887	(235)
Shopmobility	60	59	(2)
Health and Safety	8	1	(6)
Private Sector Housing	200	814	614
Planning	283	563	280
Community Infrastructure Levy	0	(104)	(104)
Transformation	118	153	35
Land Charges	(146)	(85)	61
Total Service Expenditure	**10,728**	**9,099**	**(1,630)**

As identified in the table below a final position of an overspend of £0.586m compared to a budgeted overspend of £0.129m.

Service	Budget £000	Outturn £000	Variance £000
Interest Income	(719)	(407)	312
Interest Expenditure	140	3,697	3,557
Minimum Revenue Provision	510	891	381
Corporate Pension Contribution	3,400	4,444	1,044
Other	0	0	0
Total Corporate Costs	**3,331**	**8,625**	**5,294**

Transfer to / (from) General Fund	**(129)**	**(586)**	**(457)**

4. A Summary of Financial Performance (Continued)

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

Service	2021/22 Budget '£000	Year End Position '£000	Variance '£000
Council Tax Funding	8,039	8,250	211
Retained Business Rates	5,103	5,655	552
Revenue Support Grant	244	87	(157)
New Homes Bonus	803	803	0
Council Tax s31 Grants	0	6,600	6,600
Covid-19 related Grants	0	1,503	1,503
Other Grants	0	342	342
Total Funding	**14,189**	**23,239**	**9,052**

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

1. The cyber incident in December 2021 has led to one off recovery pressures
2. The continued impact of Covid-19 in the financial year
3. Additional s31 Grant received for Council Tax
4. The cyber incident hindered the Council's ability to respond to planning requests
5. Continued support of the leisure trust in the wake of the pandemic.

The gross cost of service provision amounts to £97,544k and this has been analysed by type as shown in the table below:

Expenditure Type	2021/22 £000	2020/21 £000
Employee Expenses	8,297	8,480
Other Service Expenses	66,062	64,606
Other Operating Expenditure	248	250
Capital charges and investment property expenditure	5,286	15,590
Business rates expenditure	17,161	17,329
Gross Cost of Services	**97,054**	**106,255**

The Council received gross income of £107,469 k and this is analysed in the table below:

Income Type	2021/22 £000	2020/21 £000
Government Grants	33,059	33,420
Income from Council Tax, Business Rates and non-specific grant income	40,402	40,338
Fees, Charges & Other Service Income	21,811	20,250
Interest and Investment property income and other operating income	11,708	628
	106,980	**94,636**

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 2020/21. Capital expenditure for 2020/21 was £7.344m.
There was an underspend on the revised capital budget in 2020/21 compared to budgeted expenditure of £2.038m, 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 £7.344m spend, £6.064m 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	3,975
Kings Quarter - The Forum	10,073
GWR - Railway Improvements	61
Kings Walk Shopping Centre	2,114
City Centre Improvement Fund	-
GCC Building Improvements	872
ICT Projects	161
Housing projects	1,156
Drainage and Flood Protection Works	50
Horsbere Brook Local Nature Reserve works	2
Play Area Improvement Programme	68
Crematorium Improvements	-
Grant Funded Projects	1,673
Robinswood Hill (Ranger Barns)	4
Food Dock	500
Domestic Waste Vehicles	2,615
	23,324

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

Source of Funding	£000
Section 106	320
Usable Capital receipts	654
Grants	2,070
Borrowing	20,280
Revenue	0
	23,324

5. Accounting Issues and Developments

Pension Fund Deficit
The Council's share of the deficit on the Pension Fund, as at 31 March 2022, has increased from £58.366m to £45.689m 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 2022-24 and the Money Plan 2021-26 have been developed to ensure the Council's strategic objectives and priorities are met.

Gloucester has a clearly defined vision: **"Building a greener, fairer, better Gloucester"**
Building a greener, fairer, better Gloucester for everyone who lives, works in, and visits our city. This vision is not something that the council can achieve alone, and the plan sets out how we intend to work with partners and residents over the next three years to shape and achieve the best outcomes for all as we recover from the effects of the Covid-19 pandemic.

The Council Plan 2022-2024 contains three key priorities, as detailed below:

PRIORITY 1: BUILDING **GREENER, HEALTHIER,** AND MORE **INCLUSIVE** COMMUNITIES

The health and wellbeing of Gloucester's residents is at the heart of everything we do, and that's why we will tackle health inequalities, advocate for inclusivity, and take action to ensure a greener future for our city.
We value diversity and know our communities have many strengths, and we will listen and provide the support residents need to improve their own lives, while continuing to help our most vulnerable residents.

PRIORITY 2: BUILDING A **SUSTAINABLE** CITY OF **DIVERSE CULTURE** AND **OPPORTUNITY**

We know that transforming Gloucester into a city that our residents deserve is just as important as ensuring that visitors and investors see our city as a top destination, not only in the South West, but in the country.
To secure the future of our city in the post COVID-19 world we will continue to work with our partners to facilitate innovative and sustainable regeneration across Gloucester,
drive the economic recovery to support local businesses, and showcase everything the city has to offer through provision of an inspiring cultural programme that is reflective of our
diverse communities.

PRIORITY 3: BUILDING A **SOCIALLY RESPONSIBLE** AND **EMPOWERING COUNCIL**

We will As we work towards achieving our ambitions for a better Gloucester, we remain committed to providing great, accessible services that offer value for money to our residents and doing so in a way that minimises our impact on the environment and promotes inclusion.
We know that technology is changing the way people live, work and connect and, through our ongoing digital transformation journey, we will ensure that customers can access more of our services quickly and efficiently online, allowing us to do more with less and focus our resources

6. 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.

7. Further Information

Further details of the accounts can be obtained from the Head of Finance & Resources, North Warehouse, The Docks, Gloucester, GL1 2FB. Tel. (01452) 396422. 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.

Greg Maw
Head of Finance & 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 Finance 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 2022. 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 Finance & 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 Finance & 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 Finance & 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 2022 and its income and expenditure for the year ended on that date.

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STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

1 GENERAL PRINCIPLES

This Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its financial position at 31 March 2021. 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 2021/22 and the Service Reporting Code of Practice 2021/22, supported by International Financial Reporting Standards (IFRS).

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

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.

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;
  - Unitised 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.

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.

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

Under IFRS 9 the authority's financial assets are classified into three types:

- Financial assets at amortised cost – where payments consist solely of principal and interest and the reason for holding is to collect cash flows
  Fair value through Other Comprehensive Income (OCI) – where payments do not consist solely of principal and interest but where the authority
- has designated the instrument as Fair value through OCI
- Fair value through Profit and Loss (P&L) - where payments do not consist solely of principal and interest.

Financial assets at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Fair value through OCI

These are initially measured at cost (equivalent to fair value) and carried at fair value. For instruments quoted in an active market, fair values are based on their market prices at the reporting date, except where the instruments will mature within twelve months of that date, in which case they are assumed not materially different to (and therefore equal to) their carrying values. Interest receivable is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends from equity instruments designated by the authority as Fair value through OCI are credited to the same line when they become receivable by the council. Changes in fair value are balanced by an entry to the Financial Instruments Revaluation Reserve (FIRR) (formerly the Available-for-Sale Reserve), with the gain or loss being recognised in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement. Any gains or losses held in the FIRR on de-recognition of the asset are credited or charged to the General Fund Balance via the Movement in Reserves Statement.

Fair value through P&L

These are initially measured at cost and carried at fair value. For instruments quoted in an active market, fair values are based on their market prices at the reporting date, except where the instruments will mature within twelve months of that date, in which case they are assumed not materially different to (and therefore equal to) their carrying values. Dividends are credited to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) when they become receivable by the council. Changes in fair value and any gains or losses on de-recognition are charged or credited to the same line in the CIES.

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.

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 a material interest in a jointly controlled entity which require it to prepare group accounts. In the Council's own single-entity accounts, the interests in this entity is recorded as a financial assets at fair value.

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).

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.

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 (2020/21 £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 2021/22 valuation identified no assets meeting the component accounting thresholds. The same position was found for 2020/21.

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.

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.

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 a material interest in Gloucestershire Airport Limited (GAL), a jointly controlled entity which require it to prepare group accounts. In the Council's own single-entity accounts, the interests in this entity is recorded as a financial assets at fair value. The Council has non material interests in serveral other entities, as listed in Note 45 which are not consolidated.

Accounting for Joint Venture

shareholding GAL has been treated as a Joint Venture since it is jointly owned and controlled with Cheltenham Borough Council. GAL has therefore been incorporated within the Council's accounts on an equity accounting basis, in which the Council's share of the company's operating results and net assets or liabilities (based on its proportionate shareholding) are shown as separate lines in the main group statements.
There is no requirement to adjust for inter-organisation transactions and balances.

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL MOVEMENT IN RESERVES STATEMENT
For the years ended 31 March 2021 & 2022

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. 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 2020	**5,534**	**192**	**3,732**	**9,458**	**(2,545)**	**6,913**
Movement in Reserves during 2020/21						
Total Comprehensive Income and Expenditure	(11,619)	-	-	**(11,619)**	(812)	**(12,431)**
Adjustments between accounting basis and funding basis under regulation (Note 6)	21,284	**44**	**(1,105)**	**20,223**	(20,223)	**-**
Increase/(Decrease) in 2020/21	**9,665**	**44**	**(1,105)**	**8,604**	**(21,035)**	**(12,431)**
Balance at 31 March 2021	**15,199**	**236**	**2,627**	**18,062**	**(23,580)**	**(5,518)**
Movement in Reserves during 2021/22						
Total Comprehensive Income and Expenditure	9,926	-	-	**9,926**	11,923	**21,849**
Adjustments between accounting basis and funding basis under regulation (Note 6)	(16,398)	(165)	1,030	**(15,533)**	15,533	**-**
Increase/(Decrease) in 2021/22	**(6,472)**	**(165)**	**1,030**	**(5,607)**	**27,456**	**21,849**
Balance at 31 March 2022	**8,727**	**71**	**3,657**	**12,455**	**3,876**	**16,331**

GLOUCESTER CITY COUNCIL GROUP MOVEMENT IN RESERVES STATEMENT
For the years ended 31 March 2021 & 2022

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.

	Useable			Unusable			
	Council	Council's Share of Subsidiaries, Joint Ventures and Associates	Total Group	Council	Council's Share of Subsidiaries, Joint Ventures and Associates	Total Group	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 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	(11,619)	172	(11,447)	**(812)**	2,037	**1,225**	**(10,222)**
Adjustments between company reserves	-	(605)	(605)	**-**	605	**605**	**-**
Adjustments between accounting basis and funding basis under regulation	20,223	-	20,223	**(20,223)**	-	**(20,223)**	**-**
Increase/(Decrease) in 2020/21	**8,604**	**(433)**	**8,171**	**(21,035)**	**2,642**	**(18,393)**	**(10,222)**
Balance at 31 March 2021	**18,062**	**(1,959)**	**16,103**	**(23,580)**	**15,175**	**(8,405)**	**7,698**
Movement in Reserves during 2021/22							
Total Comprehensive Income and Expenditure	9,926	(300)	**9,626**	**11,923**	**(390)**	**11,533**	**21,160**
Adjustments between company reserves	-	(1,877)	**(1,877)**		**1,877**	**1,877**	**-**
Adjustments between accounting basis and funding basis under regulation	**(15,533)**	**-**	**(15,533)**	15,533	-	**15,533**	**-**
Increase/(Decrease) in 2021/22	**(5,607)**	**(2,177)**	**(7,784)**	**27,456**	**1,487**	**28,943**	**21,160**
Balance at 31 March 2022	**12,455**	**(4,136)**	**8,319**	**3,876**	**16,662**	**20,538**	**28,858**

GLOUCESTER CITY COUNCIL EXPENDITURE AND FUNDING ANALYSIS
For the year ended 31 March 2022

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.

2020/21						2021/22				
General Fund Outturn excluding earmarked reserve movement	Adjusted for Movement on Earmarked Reserves	Net 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	EXPENDITURE AND FUNDING ANALYSIS	General Fund Outturn excluding earmarked reserve movement	Adjusted for Movement on Earmarked Reserves	Net 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
1,402	13	1,389	(876)	2,265	**Communities and Neighbourhoods**	1,153	(43)	1,196	(1,074)	2,270
1,767	(73)	1,840	(302)	2,142	**Culture**	1,615	(65)	1,680	(307)	1,987
5,689	46	5,643	(440)	6,083	**Environment**	4,506	(89)	4,595	(722)	5,317
654	213	441	(722)	1,163	**Housing and Planning**	29	(83)	112	(1,321)	1,433
973	(335)	1,308	(689)	1,997	**Performance and Resources**	3,124	289	2,835	(1,400)	4,235
(3,202)	(197)	(3,005)	412	(3,417)	**Regeneration and Economy**	(6,276)	(657)	(5,619)	(4,432)	(1,187)
7,283	(333)	7,616	(2,617)	10,233	**Net Cost of Services**	4,151	(648)	4,799	(9,256)	14,055
(7,160)	10,121	(17,281)	(18,667)	1,386	**Other Income and Expenditure**	(14,662)	(5,394)	(9,268)	14,711	(23,979)
123	**9,788**	**(9,665)**	**(21,284)**	**11,619**	**(Surplus) or Deficit**	**(10,511)**	**(6,042)**	**(4,469)**	**5,455**	**(9,924)**
					Opening General Fund balance including earmarked reserves at 1st April					
					Add surplus / (deficit) in year					
		15,199			**Closing General Fund balance including earmarked reserves at 31 March**			**19,668**		

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
For the year ended 31 March 2022

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.

2020/21				2021/22		
Gross Expenditure	Gross Income	Net Expenditure	Description	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
5,215	(2,950)	2,265	**Communities and Neighbourhoods**	5,260	(2,990)	2,270
2,252	(109)	2,143	**Culture**	3,356	(1,369)	1,987
10,575	(4,492)	6,083	**Environment**	11,281	(5,964)	5,317
1,890	(727)	1,163	**Housing and Planning**	2,557	(1,124)	1,433
44,506	(37,385)	7,121	**Performance and Resources**	37,580	(33,344)	4,236
8,648	(8,007)	641	**Regeneration and Economy**	14,326	(10,079)	4,247
73,086	**(53,670)**	**19,416**	**(Surplus) / Deficit on Operations**	**74,359**	**(54,870)**	**19,490**
250	602	852	**Other Operating Expenditure (Note 8)**	248	489	737
15,590	(1,230)	14,360	**Financing and investment income and expenditure (Note 9)**	5,286	(12,197)	(6,911)
17,329	(40,338)	(23,009)	**Taxation and Non-specific Grant Income (Note 10)**	17,161	(40,402)	(23,241)
106,255	**(94,636)**	**11,619**	***(Surplus) / Deficit on Provision of Services***	**97,054**	**(106,980)**	**(9,926)**
			Items that will not be reclassified to the (surplus) or deficit on the provision for services			
(10,443)	-	(10,443)	**(Gains) / Losses on revaluation of Property, Plant and Equipment assets**	5,047	-	5,047
			(Gains) / Losses on revaluation of available-for-sale financial assets	-	(943)	(943)
			Re-measurement of the net defined benefit liability (Note 41)	-	(16,027)	(16,027)
(9,183)	**9,995**	**812**	**Other Comprehensive Income and Expenditure**	**5,047**	**(16,970)**	**(11,923)**
97,072	**(84,641)**	**12,431**	**Total Comprehensive Income and Expenditure**	**102,101**	**(123,950)**	**(21,849)**

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
For the year ended 31 March 2022

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.

2020/21			Description	2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
5,215	(2,950)	2,265	**Communities and Neighbourhoods**	5,260	(2,990)	2,270
2,252	(109)	2,143	**Culture**	3,356	(1,369)	1,987
10,575	(4,492)	6,083	**Environment**	11,281	(5,964)	5,317
1,890	(727)	1,163	**Housing and Planning**	2,557	(1,124)	1,433
44,506	(37,385)	7,121	**Performance and Resources**	37,580	(33,344)	4,236
8,648	(8,007)	641	**Regeneration and Economy**	14,326	(10,079)	4,247
73,086	**(53,670)**	**19,416**	**(Surplus)/Deficit on Operations**	**74,360**	**(54,870)**	**19,490**
250	602	852	**Other Operating Expenditure (Note 8)**	248	489	737
15,590	(1,230)	14,360	**Financing and investment income and expenditure (Note 9)**	5,286	(12,197)	(6,911)
17,329	(40,338)	(23,009)	**Taxation and Non-specific Grant Income (Note 10)**	17,161	(40,402)	(23,241)
106,255	**(94,636)**	**11,619**	***Deficit on Provision of Services***	**97,055**	**(106,980)**	**(9,926)**
			Share of the (Surplus)/Deficit on the provision of Services			
		(196)	Joint Ventures			(385)
			Share of Tax Expenses			
		23	Joint Ventures			685
		11,447	**Group Deficit**			**(9,626)**
			Items that will not be reclassified to the (surplus) or deficit on the provision for services			
		(9,624)	**(Gains) / Losses on revaluation of Property, Plant and Equipment assets**			5,047
		9,995	**Actuarial (Gains) / Losses on pension assets / liabilities**			(16,027)
		1,260	**Gain / Loss on revaluation of available-for-sale financial assets**			(943)
			Share of Other Comprehensive Income and Expenditure			
		537	Joint Ventures			(390)
		2,168	**Group Other Comprehensive Income and Expenditure**			**(12,313)**
		13,615	**Total Comprehensive Income and Expenditure**			**(21,939)**

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL BALANCE SHEET
As at 31 March 2022

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	31/03/2022 £000	31/03/2021 £000
Property, Plant & Equipment	11	124,015	105,693
Investment Property	12	53,889	48,627
Heritage Assets	13	7,030	7,004
Intangible Assets	14	196	595
Long term Investments	15,44	10,677	9,581
Long term Debtors	15,19(i)	735	2,201
Long term Assets		**196,542**	**173,704**
Short term Investments	15	-	-
Assets held for Sale	16	4,500	4,214
Inventories	17	15	15
Short term Debtors	15,19	28,716	25,811
Cash and Cash Equivalents	20	9,193	5,477
Current Assets		**42,424**	**35,517**
Total Assets		**238,966**	**209,221**
Short term Borrowing	15,21(i)	(42,230)	(39,469)
Short term Creditors	15,21	(31,511)	(13,129)
Provisions (<1yr)	22	(1,591)	(1,474)
Prepayments		2,454	-
Current Liabilities		**(72,878)**	**(54,072)**
Provisions	22	(175)	(136)
Long term Borrowing	15,21(ii)	(96,523)	(99,592)
Capital Grants Received in Advance	35	(3,289)	(2,375)
Deferred Income		(4,081)	(198)
Other Long term Liabilities	41	(45,689)	(58,366)
Long term Liabilities		**(149,757)**	**(160,667)**
Net (Liabilities) / Assets		**16,332**	**(5,518)**
Usable Reserves	23	12,456	18,062
Unusable Reserves	24	3,876	(23,580)
Total Reserves		**16,332**	**(5,518)**

GLOUCESTER CITY COUNCIL GROUP BALANCE SHEET
As at 31 March 2022

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	31/03/2022 £000	31/03/2021 £000
Property, Plant & Equipment	11	124,015	105,693
Investment Property	12	53,889	48,627
Heritage Assets	13	7,030	7,007
Intangible Assets	14	196	595
Long term Investments	15,44	10,677	9,487
Long term Debtors	15,19(i)	735	2,201
Investment in Joint Venture		12,526	13,310
Long term Assets		**209,068**	**186,920**
Short term Investments	15	-	-
Assets held for Sale	16	4,500	4,214
Inventories	17	15	15
Short term Debtors	15,19	28,716	25,811
Cash and Cash Equivalents	20	9,193	5,477
Current Assets		**42,424**	**35,517**
Total Assets		**251,492**	**222,437**
Short term Borrowing	15, 21(i)	(42,230)	(39,469)
Short term Creditors	15,21	(31,511)	(13,129)
Provisions (<1yr)	22	(1,591)	(1,474)
Prepayments		2,454	-
Current Liabilities		**(72,878)**	**(54,072)**
Provisions	22	(175)	(136)
Long term Borrowing	15,21(ii)	(96,523)	(99,592)
Capital Grants Received in Advance	35	(3,289)	(2,375)
Deferred Income		(4,081)	(198)
Other Long term Liabilities	41	(45,689)	(58,366)
Long term Liabilities		**(149,757)**	**(160,667)**
Net Assets		**28,858**	**7,698**
Usable Reserves	23	8,319	16,103
Unusable Reserves	24	20,538	(8,405)
Total Reserves		**28,858**	**7,698**

GLOUCESTER CITY COUNCIL CASH FLOW STATEMENT
For the year ended 31 March 2022

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	2021/22 £000	2020/21 £000
Deficit on the provision of services		**9,926**	**(11,619)**
Adjustments in respect of non-cash movements		17,626	8,375
Adjustments in respect of items that are investing and financing activities		(7,009)	(4,391)
Net Cash Flows from Operating Activities	**25**	**20,543**	**(7,635)**
Net Cash Flows from Investing Activities	**26**	**(17,062)**	**18,695**
Net Cash Flows from Financing Activities	**27**	**235**	**(13,885)**
Net Increase/(Decrease) in cash and cash equivalents		3,716	(2,825)
Cash and cash equivalents at the beginning of the year		5,477	8,302
Cash and cash equivalents at the end of the year		**9,193**	**5,477**

The Balance of Cash and Cash Equivalents and Bank Overdraft		2021/22 £000	2020/21 £000
Cash and Cash Equivalents		9,193	5,477
Balance at 31st March		**9,193**	**5,477**

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 2022/23 which may impact upon the Council's accounts.

Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

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

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 to July 2022. The sum received was £4.78m. In 2021/22 £791k was released to the General Fund with the remainder to be released in 2022/23.

The Council received significant amounts of funding for distribution or for use to support the Covid-19 recovery, The terms of such grants meant some could be considered service or general funding with wider judgement required on whether the Authority was acting as agent or principal.

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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	The Covid-19 pandemic and lockdown arrangements in place since March 2020 have had a significant impact on daily life and the global and UK economies. This could still affect the carrying values of assets carried at existing use and fair value due to the uncertainty in the assumptions used in their valuation. 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.	There is more information available than in the previous year to understand the impact of the continuing uncertainties on the carrying value of these assets. There is still uncertainty around the extent and duration of the effect of lockdown measures on the wider economy in the long term, and there is currently insufficient evidence available to assess this. However, although any reduction in carrying values would reduce the council's 'net worth', in themselves they would have no impact on the authority's revenue account and ability to deliver services, since they are chargeable to unusable reserves and not the surplus or deficit on the provision of services. 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 £117k 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 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £2.865 million. The assumptions, however, interact in complex ways. During 2021/22 the Council's actuaries advised that the net pensions liability had decreased by £13.713 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 2022, the Council had a balance of sundry debtors of £2.062 million. A review of the aged debt profile and recovery percentages suggested that an allowance for doubtful debts of approximately 15.58% 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 £21k.

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 2022. 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 2022, 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 (xx March 2022) no adjusting post Balance Sheet events have been identified.#

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.

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

2021/22 Information

	Usable Reserves £'000		
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**
Adjustments to the Revenue Resources			
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:			
Pension Costs (transferred to or from Pensions Reserve)	3,258	-	-
Charges for depreciation of non-current assets	(4,864)	-	-
Revaluation losses on Property, Plant and Equipment and assets held for sale	(5,435)	-	-
Movement in the fair value of investment property	11,295	-	-
Capital Grants and Contributions	6,600	-	(6,600)
Revenue expenditure funded from capital under statute	(1,715)	-	-
Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account	6,509	-	-
Revenue financing of capital expenditure	-		
Holiday Pay transferred to the Accumulated Absences Account	43	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(898)	-	-
Total adjustments to Revenue Resources	15,018	-	(6,600)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	489	(489)	-
Statutory and voluntary provision for the repayment of debt transferred to the Capital Adjustment Account	891	-	-
Total adjustments between Revenue and Capital Resources	1,380	(489)	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance new capital expenditure	-	654	-
Application of capital grants and contributions to fund capital expenditure	-		5,570
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-		-
Total adjustments to Capital Resources	-	654	5,570
Total Adjustments	16,398	165	(1,030)

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			
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:			
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	(5,124)	-	-
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	(22,665)	-	(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	(21,284)	(44)	1,105

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 2021/22.

Reserve No.		Balance at 31/03/2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31/03/2021	Balance at 31/03/2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31/03/2021
		£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	-	-
4	Shopmobility Reserve	28	-	-	29	29	-	-	29
5	Regeneration Reserve	83	377	439	144	23	191	250	82
6	Insurance Reserve	10	-	-	10	10	-	-	10
7	Land Adoption Reserve	874	-	-	873	827	-	46	873
8	VAT Shelter Reserve	160	350	357	167	418	500	242	160
9	Business Rates Reserve	1,023	-	-	1,024	974	-	50	1,024
10	Trading Development Reserve	-	-	-	-	-	-	-	-
11	Environmental Reserve	900	-	-	900	1,000	100	-	900
12	Repairs Reserve	23	-	-	23	-	-	23	23
13	Community Builder Reserve	62	33	-	29	54	-	8	62
14	Planning Strategy Reserve	248	83	-	165	35	-	213	248
15	Economic Development Reserve	-	-	-	-	-	-	-	-
16	Flooding Works Reserve	10	-	-	10	10	-	-	10
17	Meet and Greet Reserve	4	4	-	-	4	-	-	4
18	Police Contribution Reserve	-	-	-	-	-	-	-	-
19	Lottery Reserve	23	10	7	19	20	3	5	22
20	Great Places Reserve	22	22	-	-	93	71	-	22
21	Museum Reserve	305	-	-	305	305	-	-	305
22	EU Exit Reserve	-	-	-	-	17	17	-	-
23	Recovery Reserve	100	-	-	100	100	-	-	100
24	MTFP Reserve	17	332	558	243	-	-	17	17
25	Destination Marketing Reserve	200	50	-	150	-	-	200	200
26	Homelessness Reserve	100	-	-	100	-	-	100	100
27	Planning Appeals Reserve	50	-	-	50	-	-	50	50
28	Communities Reserve	30	12	-	18	-	-	30	30
29	Climate Change Reserve	100	34	-	66	-	-	100	100
30	Neighbourhood Spaces Reserve	100	43	-	57	-	-	100	100
31	Defibrillator Reserve	6	-	-	6	-	-	6	6
32	Property Sinking Fund Reserve	300	-	-	300	-	-	300	300
33	Collection Fund timing reserve	8,930	9,516	3,097	2,511	-	-	8,930	8,930
	Total	**13,821**	**10,866**	**4,458**	**7,412**	**4,033**	**883**	**10,670**	**13,820**

Reserve No. **Further details of reserve balances**

1 Historic Buildings Reserve
refurbishment of historic buildings in the City and will fund an agreed award

2 Portfolio Reserves
This reserve is for housing surveys undertaken every three to four years.

3 Members Allocation Reserve
The reserve represents the remainder of members individual grant allocations.

4 Shopmobility Reserve
Donated funds for shopmobility for use specifically on the shopmobility service.

5 Regeneration Reserve
The reserve is intended for the delivery of key regeneration priorities.

6 Insurance Reserve
This reserve is intended to cover possible insurance claims not able to be met from the Insurance Provision (see note 22, page 51).

7 Land Adoption Reserve
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.

8 VAT Shelter Reserve
Earmarked for future regeneration and housing projects.

9 Business Rates Reserve
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

11 Environmental Reserve
The Council has ongoing potential environmental liabilities from the housing stock transfer, including potential asbestos work liability and contaminated land.

12 Repairs Reserve
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.

13 Community Builder Reserve
A reserve to fund future community building work.

14 Planning Strategy Reserve
A reserve to meet the future costs of the City Plan review.

16 Flooding Works Reserve

19 Lottery Reserve
This reserve holds funding generated by Gloucester Lottery to be distributed to the voluntary sector.

20 Great Place Reserve
This reserve is in place to support Great Place.

21 Museum Reserve
This reserve holds funding received via bequest.

22 EU Exit Reserve
This reserve holds funding received towards the costs of leaving the European Union.

23 Recovery Reserve
This reserve will be used to meet costs associated with Covid-19.

24 MTFP Reserve
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

25 Destination Marketing Reserve
This reserve will meet the delivery of the two year destination marketing plan

26 Homelessness Reserve
Reserve will support delivery of the homelessness strategy and implementation of a private landlord scheme

27 Planning Appeals Reserve
Reserve will protect the Council against future planning appeals

28 Communities Reserve
Reserve future the work of City Safe and Street Aware projects

29 Climate Change Reserve
The reserve will contribute to the Councils response to the Climate emergency

30 Neighbourhood Spaces Reserve
This reserve will fund improvements to small areas of public open space and community gardens

31 Defibrillator Reserve
This reserve will be used to procure defibrillators

32 Property Sinking Fund Reserve

This reserve holds fund for use on future flood prevention capital projects.

17 **Meet and Greet Reserve**
The reserve holds funding that the Council has put to one side to fund the Coach Meet and Greet Scheme.

This reserve will meet known and future commitments on the Councils property investments

33 **Collection Fund Timing Reserve**

The government granted business rates relief to retail, hospitality and leisure services during 2021/22 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

8 OTHER OPERATING INCOME AND EXPENDITURE

	GCC	GCC	Group	Group
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Precepts and Grants paid to parish councils	248	250	248	250
Losses on disposal of non current assets	489	602	489	602
Total	**737**	**852**	**737**	**852**

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	GCC	GCC	Group	Group
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Interest payable and similar charges	3,697	3,930	3,697	3,930
Interest and Investment property income	(407)	(1,230)	(407)	(1,230)
Pensions Interest and Expected Return on pensions assets	1,186	1,188	1,186	1,188
Expenditure on investment properties	(990)	269	(990)	269
Changes in fair value of investment properties	(10,396)	10,203	(10,396)	10,203
Total	**(6,910)**	**14,360**	**(6,910)**	**14,360**

10 TAXATION AND NON-SPECIFIC GRANT INCOME

	GCC	GCC	Group	Group
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Income from the Collection Fund - Council Tax income	(8,081)	(8,550)	(8,081)	(8,550)
Collection Fund (Surplus) / Deficit	4,084	12,224	4,084	12,224
Business rates tariff	16,330	16,330	16,330	16,330
Business rates levy	831	999	831	999
Retained Business Rates	(21,875)	(21,964)	(21,875)	(21,964)
Revenue Support Grant (RSG)	(87)	(87)	(87)	(87)
New homes bonus	(803)	(977)	(803)	(977)
Business rates Section 31 grant	(5,194)	(11,464)	(5,194)	(11,464)
Other Grants	(342)	(1,145)	(342)	(1,145)
Covid-19 Grants	(1,503)	(4,495)	(1,503)	(4,495)
Capital Grants	(6,600)	(3,880)	(6,600)	(3,880)
Total	**(23,240)**	**(23,009)**	**(23,240)**	**(23,009)**

The Council received the following agency income as a result of Covid-19 and the high cost of energy:

	Received	Paid Out	Remaining
Grants Received in 2021-22	£000	£000	£000
Business Support Grants	(5,814)	4,528	(1,286)
Energy Rebate Scheme Grants	(8,054)	-	(8,054)
Total	**(13,868)**	**4,528**	**(9,340)**

11 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2021/22	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 2021	**84,882**	**13,586**	**13,860**	**5,533**	**2,648**	**302**	**120,811**
Reversal of In Year Enhancement Adjust	**(241)**	**(399)**	**530**	**110**			**-**
Assets W/Off				**(768)**			**(768)**
Revised Total At 1 April 2021	**84,641**	**13,187**	**14,390**	**4,875**	**2,648**	**302**	**120,043**
Additions	3,146	2,723	578	103	14,692		**21,242**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	779						**779**
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(5,558)						**(5,558)**
Transfers between classes	5,205				65	125	**5,395**
of Services							**-**
Assets Written Off	(240)	(150)					**(390)**
At 31 March 2022	**87,973**	**15,760**	**14,968**	**4,978**	**17,405**	**427**	**141,511**
Accumulated Depreciation and Impairment							
At 1 April 2021	**279**	**7,387**	**6,275**	**1,120**	**57**	**-**	**15,118**
Reversal of In Year Depn Adjust	**2**	**(213)**	**55**	**176**	**(20)**		**-**
Assets W/Off				**(253)**			**(253)**
Revised Total At 1 April 2021	**281**	**7,174**	**6,330**	**1,043**	**37**	**-**	**14,865**
Adjst re Reversal of Depn				(795)	(37)		**(832)**
Depreciation Charge	2,881	962	460	52		3	**4,358**
Derecognition – Disposals							**-**
Assets written Off	(55)	(51)					**(106)**
Transfers between classes	(1)				1		**-**
Revaluation	(123)						**(123)**
Revaluation Reserve	(664)					(3)	**(667)**
At 31 March 2022	**2,319**	**8,085**	**6,790**	**300**	**1**	**-**	**17,495**
Net book value as at 31 March 2022	**85,654**	**7,675**	**8,178**	**4,678**	**17,404**	**427**	**124,016**
Net book value as at 31 March 2021	**84,603**	**6,199**	**7,585**	**4,413**	**2,591**	**302**	**105,693**

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

Comparative Figures 2020/21

Movements in 2020/21	Other Land and Buildings Restated £'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	**80,836**	**14,388**	**13,936**	**5,440**	**853**	**734**	**116,187**
Additions	2,934	506	2,221	170	167	-	**5,998**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,336					63	**8,399**
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(5,587)						**(5,587)**
Derecognition – Disposals						(495)	**(495)**
Assets Impairment recognised in the Revaluation Reserve							**-**
Impairment recognised in the Surplus/Deficit on the Provision of Services							**-**
Transfers between classes	(695)		(1,578)	32	1,628		**(613)**
Assets Written Off	(942)	(1,308)	(719)	(109)			**(3,078)**
Other movements in cost or valuation							**-**
At 31 March 2021	**84,882**	**13,586**	**13,860**	**5,533**	**2,648**	**302**	**120,811**
Accumulated Depreciation and Impairment							
At 1 April 2020	**672**	**7,566**	**6,571**	**1,017**	**-**	**-**	**15,826**
Depreciation Charge	2,530	1,077	440	183	21	12	**4,263**
Derecognition – Disposals	-	-	-	-	-	(9)	**(9)**
Assets reclassified as held for sale							**-**
Other reclassifications							**-**
Assets Impairment	-	-	-	-	-	-	**-**
Assets written Off	(372)	(1,256)	(719)	(109)			**(2,456)**
Transfers between classes	(48)		(17)	29	36		**-**
Revaluation	(463)	-	-	-	-		**(463)**
Other movements in cost or valuation	(2,040)	-	-	-	-	(3)	**(2,043)**
At 31 March 2021	**279**	**7,387**	**6,275**	**1,120**	**57**	**-**	**15,118**
Net book value as at 31 March 2021	**84,603**	**6,199**	**7,585**	**4,413**	**2,591**	**302**	**105,693**

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

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluations

The Council has a rolling programme of asset valuations to ensure that all Property, Plant and Equipment required to be measured at current value is 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 with a valaution date of 31th March 2021

The significant assumptions applied in estimating the current values are:
-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.

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 and external 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	
	2021/22	**2020/21**
	£000	**£000**
Rental income from investment property	(1,393)	(606)
Direct operating expenses arising from investment property	403	269
Net gain	**(992)**	**(337)**

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	
	2021/22	**2020/21**
	£000	**£000**
Balance at beginning of the year	**48,627**	**59,874**
Additions:		
- Purchases	262	57
- Subsequent expenditure	-	-
Net gains/(losses) from fair value adjustments	10,396	(10,203)
Adjustment		
Transfers:		
- To/From Property, Plant and Equipment / Surplus Assets	(5,396)	-
- From Community Assets	-	-
- To/From assets for sale	-	(1,101)
Disposals	-	-
Balance at end of the year	**53,889**	**48,627**

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	
	2021/22 £'000	2020/21 £'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	21	-
SWRDA Asset Transfer	225	225
Civic Regalia	887	887
Books of Remembrance	50	50
Miscellaneous items	762	757
Transfers		3
Total	**7,030**	**7,007**
At valuation	7,030	7,007
At cost	-	-
Total	**7,030**	**7,007**

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

	GCC and Group	
	2021/22	2020/21
	£000	£000
Balance at beginning of the year	**7,007**	**7,007**
Revaluation surplus/(deficit)	19	-
Reclassified to investment property	-	-
Additions	4	-
Balance at end of the year	**7,030**	**7,007**

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	
	2021/22 £'000	**2020/21 £'000**
Gross book value at the beginning of the year	**4,182**	**4,716**
Additions	105	9
Transfers to/from	-	-
Assets written off	-	(543)
Gross book value at the end of the year	**4,287**	**4,182**
Amortisation at the beginning of the year	**3,587**	**3,569**
Amortised during year	505	561
Assets written off	-	(543)
Amortisation at the end of the year	**4,092**	**3,587**
Net book value at the end of the year	**195**	**595**

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

	2021/22 £000	**2020/21 £000**
Balance at the beginning of the year:		
- Gross carrying amounts	4,182	4,716
- Accumulated amortisation	3,587	3,569
- Net carrying amount	595	1,147
Movement in 2021/22		
Additions	105	9
Transfers to/from	-	-
Assets Written Off	-	-
Amortisation for the period	505	561
Net carrying amount at the end of the year	**195**	**595**
Comprising:		
- Gross carrying amounts	4,287	4,182
- Accumulated amortisation	4,092	3,587
	195	**595**

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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000	£000	£000	£000	£000
Investments								
Financial assets at amortised cost	-	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss	10,677	9,487	-	-	10,677	9,487	-	-
Fair Value through other comprehensive income - shares in unlisted companies	-	94	-	-	-	-	-	-
Total Investments	10,677	9,581	-	-	10,677	9,487	-	-
Debtors								
Financial assets at amortised cost	735	2,201	28,716	25,811	735	2,201	28,716	25,811
Total Debtors	735	2,201	28,716	25,811	735	2,201	28,716	25,811
Borrowings								
Financial liabilities at amortised cost:								
Public Works Loan Board (PWLB) and Other Loans	(66,921)	(70,503)	(40,695)	(37,950)	(66,921)	(70,503)	(40,695)	(37,950)
Lease liabilities	(29,602)	(29,089)	(1,535)	(1,519)	(29,602)	(29,089)	(1,535)	(1,519)
Total borrowings	(96,523)	(99,592)	(42,230)	(39,469)	(96,523)	(99,592)	(42,230)	(39,469)
Creditors								
Financial liabilities at amortised cost	-	-	(31,511)	(13,129)	-	-	(31,511)	(13,129)
Total creditors	-	-	(31,511)	(13,129)		-	(31,511)	(13,129)

Income, Expenses, Gains and Losses-GCC

	2021/22				2020/21			
	Financial Liabilities measured at amortised cost	Financial Assets at amortised cost	Financial Assets: Fair value through P&L	Total	Financial Liabilities measured at amortised cost	Financial Assets at amortised cost	Financial Assets: Fair value through P&L	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	3,697	-		3,697	3,930	-	-	3,930
Losses on derecognition	-	-	-	-	-	-	-	-
Increases/(Decreases) in fair value	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	**3,697**	**-**	**-**	**3,697**	**3,930**	**-**	**-**	**3,930**
Interest income	-	(407)	-	(407)	-	(625)	-	(625)
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	**-**	**(407)**	**-**	**(407)**	**-**	**(625)**	**-**	**(625)**
Gains on revaluation	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	(943)	(943)	-	-	1,260	1,260
Net gain/(loss) for the year	**-**	**-**	**(943)**	**(943)**	**-**	**-**	**1,260**	**1,260**

15 FINANCIAL INSTRUMENTS (Continued)

Fair Values of Assets and Liabilities

The fair values of the authority's financial assets and liabilities are shown below, where different to their carrying amounts. The fair values have been assessed as equal to the present value of the expected cashflows over the remaining term of the instruments, using the following assumptions:

- for financial liabilities, the new maturity rates from the Public Works Loan Board (PWLB) at 31st March have been used. The valuation basis therefore uses Level 2 inputs (i.e. observable inputs other than quoted prices) in the fair
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, fair value is assumed to approximate toamortised cost.
- The fair value of trade and other short term payables and receivables is taken to be the invoiced or billed amount.

	2021/22		2020/21	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities				
Borrowings:				
Long-term lease liability	(29,602)	(29,602)	(29,089)	(29,089)
Public Works Loan Board (PWLB) and Other Loans	(107,616)	(112,233)	(108,453)	(123,877)

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.

	2021/22		2020/21	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Assets				
Investments at amortised cost	-	-	-	-
Long-term debtors at amortised cost	735	735	2,201	2,201

The fair values of Long term debtor 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 339.82p per unit (£5.432m) and 1.55p per unit (£5.090m) 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	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Balance at the beginning of the year	4,214	2,500	-	-
Additions	-	-		
Disposals	(613)	-	-	-
Gain / Loss on revaluation	899	-	-	-
Assets transferred to / from held for sale	-	613		
-Investment property	-	1,101	-	-
Balance at the end of the year	4,500	4,214	-	-

NOTES TO THE CORE FINANCIAL STATEMENTS

17 INVENTORIES

	2021/22 £000	2020/21 £000
Consumable stores		
Balance outstanding at start of year	15	15
Purchased	-	-
Consumed	-	-
Balance outstanding at year-end	**15**	**15**

18 CAPITAL COMMITMENTS

As at 31st of March 2022, the Council had construction contract commitments of £59,130k. Similar commitments at 31st March 2021 were £20,870k. The increase is the result of the continued regeneration of the City.

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	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Central Government bodies	98	277	98	277
Other Local authorities	4,211	5,931	4,211	5,931
Prepayments	-	7,307	-	7,307
Other entities and individuals	24,407	12,296	24,407	12,296
Total debtors	**28,716**	**25,811**	**28,716**	**25,811**

19(i) <u>Long term Debtors</u>

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	
	2021/22 £'000	2020/21 £'000
Loans to vulnerable people for house renovations	30	45
Loans to Marketing Gloucester	97	97
10 Year Loan - Gloucestershire Airport Ltd - see below	-	130
Loan to Cheltenham YMCA	-	1,261
Loan to Gloucestershire Wildlife Trust	400	447
Loan to Gloucester Airport - Facility Loan	137	150
Other loans	71	71
Total	**735**	**2,201**

Gloucestershire Airport loan details:

	Current Interest Rate (%)	GCC and Group	
		2021/22 £'000	2020/21 £'000
10 Year loan			
Balance at 31 March	1.8	130	258
Less: Amount repayable within 12 months included in short-term debtors		(130)	(128)
		-	130
The loan bears interest at 1.8% and is repayable in 6-monthly instalments of £65,831 including interest.			
Total		**-**	**130**

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	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Cash held by the Council	4	4	4	4
Bank current accounts	9,189	8,298	9,189	8,298
Total Cash and Cash Equivalents	**9,193**	**8,302**	**9,193**	**8,302**

21 SHORT-TERM CREDITORS

	GCC		Group	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Central Government Bodies	10,729	7,591	10,729	7,591
Other Local Authorities	805	824	805	824
Other Entities & Individuals	15,781	381	15,781	381
Council Taxpayers	196	167	196	167
Business Ratepayers	1,009	518	1,009	518
Deferred Income	-123	668	-123	668
Sundry creditors	3,114	2,980	3,114	2,980
Total	**31,511**	**13,129**	**31,511**	**13,129**

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

The amounts due to Central Government Bodies relate to Covid grants not yet distributed, 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	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Charity deposits	132	147	132	147
Short-term borrowings with other local authorities	39,836	36,915	39,836	36,915
Accrued interest on short-term and long-term borrowings	633	779	633	779
Finance Lease Liability	1,535	1,535	1,535	1,519
PWLB Loans repayable within one year	94	93	94	93
	42,230	**39,469**	**42,230**	**39,453**

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 (%)	2021/22 Amortised Cost £000	2021/22 Fair Value £000	2020/21 Amortised Cost £000	2020/21 Fair Value £000
PWLB	2.19 - 2.87	62,015	73,118	62,108	67,736
Less: Amount repayable within twelve months included in short-term borrowings (Refer to note 21(i))		94	-	93	-
		61,921	73,118	62,015	67,736
Market Loans	1.65	3,200	3,222	3,200	3,250
BAE Systems	3.95	5,000	6,878	5,000	6,563
Long Term Lease liability	5.795	29,602	29,602	29,376	29,376
Total		**99,723**	**112,820**	**99,591**	**106,925**

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.

	2021/22 £000	2020/21 £000
Between 1 and 2 years	4,500	3,200
Between 2 and 5 years	-	-
Between 5 and 10 years	6,891	5,698
More than 10 years	88,332	90,693
	99,723	**99,591**

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 Compensation Claims	Total
	£000	£000
Balance at 1 April 2021	136	136
Additional provisions in 2021/22	85	85
Amounts utilised in 2021/22	(46)	(46)
Balance at 31 March 2022	**175**	**175**
Consists of:		
Insurance claims provision	175	175
Balance at 31 March 2022	**175**	**175**

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 2021	1,039	435	1,474
Additional provisions made in 2021/22	637	55	692
Amounts used in 2021/22	(477)	(98)	(575)
Balance at 31 March 2022	**1,199**	**392**	**1,591**
Consists of:			
NNDR Appeals	1,199		1,199
Restructuring provision		337	337
Accumulated Absence provision		55	55
Balance at 31 March 2022	**1,199**	**392**	**1,591**

NNDR Appeals Provision

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

Accumulated Absences Provision

This is the value of holiday and flexi outstanding at 31 March 2022. This is a short term provision for less than one year.

Restructuring Provision

This provision relates to costs associated with a subsidiary company.

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 2021/22 £000	Group 2021/22 £000	GCC 2020/21 £000	Group 2020/21 £000
Revaluation Reserve	53,046	62,539	53,085	62,651
Pensions Reserve	(45,689)	(45,689)	(58,366)	(58,366)
Capital Adjustment Account	1,429	7,112	(5,969)	(286)
Deferred Capital Receipts Reserve	43	43	43	43
Collection Fund Adjustment Account	(4,987)	(4,987)	(11,491)	(11,491)
Accumulating Absences Account	(55)	(55)	(98)	(98)
Financial Instruments Revaluation Reserve	87	87	(854)	(854)
Total Unusable Reserves	**3,874**	**19,049**	**(23,650)**	**(8,402)**

(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.

	2021/22 £000	2020/21 £000
Balance at 1 April	**53,085**	**44,760**
Upward revaluation of assets	**4,844**	15,671
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**(2,493)**	(5,228)
Surplus on revaluation of assets	**55,436**	**55,203**
Difference between fair value depreciation and historical cost depreciation	**(1,841)**	(1,473)
Accumulated gains on assets sold or scrapped	**(549)**	(572)
Balance at 31 March	**53,046**	**53,085**

(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. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	GCC Only	
	2021/22 £000	2020/21 £000
Balance at 1 April	**(5,969)**	7,704
Reversal of items relating to capital expenditure debited or credited to the CIES		
Charges for depreciation and impairment of non current assets	(4,359)	(4,263)
Revaluation losses on Property, Plant and Equipment and assets held for sale	(5,435)	(5,124)
Amortisation of intangible assets	(505)	(561)
Revenue expenditure funded from capital under statute	(1,715)	(1,281)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(489)	(1,108)
	(18,472)	**(4,633)**
Adjusting amounts written out of the Revaluation Reserve	2,390	2,045
Net written out amount of the cost of non-current assets consumed in the year	**(16,082)**	**(2,588)**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	654	467
Application of grants to capital financing from the Capital Grants Unapplied Account	5,570	4,985
Direct Revenue Financing		500
Statutory provision for the financing of capital investment charged against the General Fund balances and repayment of CFR	891	870
	(8,967)	**4,234**
Movements in the market value of Investment Properties debited or credited to the CIES	10,396	(10,203)
Balance at 31 March	**1,429**	**(5,969)**

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	**(58,366)**	**(56,134)**
Re-measurement of the net defined benefit liability	16,027	(9,995)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,560)	(3,128)
Employer’s pensions contributions and direct payments to pensioners payable in the year	1,210	10,891
Balance at 31 March	**(45,689)**	**(58,366)**

(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.

	2021/22 £000	2020/21 £000
Balance at 1 April	**43**	**43**
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	-	
Balance at 31 March	**43**	**43**

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	**(11,496)**	**739**
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	6,509	(12,227)
Balance at 31 March	**(4,987)**	**(11,496)**

(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.

	2021/22 £000	2020/21 £000
Balance at 1 April	**(98)**	**(65)**
Settlement or Cancellation of Accrual made at the end of the preceding year	98	65
Amounts accrued at the end of the current year	(55)	(98)
Balance at 31 March	**(55)**	**(98)**

(vii) Financial Instruments Revaluation 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.

	2021/22 £000	2020/21 £000
Balance at 1 April	**(854)**	408
Movement in the fair value of available for sale assets	943	(1,260)
Balance at 31 March	**87**	**(854)**

25 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	Council 2021/22 £000	Council 2020/21 £000
(Deficit)/surplus on Provision of Services	**9,926**	**(11,619)**
Adjustments in respect of non-cash movements		
Depreciation of property, plant and equipment	4,359	4,263
Revaluation losses charged to net cost of services	(5,860)	15,327
Amortisation of intangible assets	505	561
Decrease/(Increase) in short-term debtors	(2,905)	(11,081)
(Decrease)/Increase in creditors	22,265	5,887
Decrease/(Increase) in long-term debtors	1,466	44
(Decrease)/Increase in provisions	156	21
Carrying amount of non-current assets and non-current assets held for sale sold	898	1,108
Adjustment in respect of pension fund deficit	(3,258)	(7,755)
	17,626	**8,375**
Adjustment for items that are investing and financing activities		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(409)	(511)
Capital Grants (credited) / debited to CIES	(6,600)	(3,880)
	(7,009)	**(4,391)**
Net Cash flows from Operating Activities	**20,543**	**(7,635)**
The cash flows from operating activities include the following items:		
Interest received	428	653
Interest paid	(2,034)	(1,701)

26 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	Council 2021/22 £000	Council 2020/21 £000
Purchase of property, plant and equipment, investment property and intangible assets	(23,328)	(7,345)
Purchase of short-term and long-term investments	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	409	514
Proceeds from Short-term/long-term investments	1,096	22,261
Capital Grants Received	4,761	3,265
Net cash flows from investing activities	**(17,062)**	**18,695**

27 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	Council 2021/22 £000	Council 2020/21 £000
Purchase of short- and long-term borrowing	45,038	71,115
Repayments of short- and long-term borrowing	(44,803)	(85,000)
Net cash flows from financing activities	**235**	**(13,885)**

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 2021/22

	Adjustments for Capital Items	Adjustments for Pensions	Other Adjustments	TOTAL
	£000	£000	£000	£000
Communities and Neighbourhoods	(696)	(377)	(44)	(1,117)
Culture and Leisure	(15)	(292)	(67)	(374)
Environment	(278)	(460)	(74)	(812)
Housing and Planning	(1,101)	(230)	(74)	(1,405)
Performance and Resources	(904)	(498)	291	(1,111)
Regeneration and Economy	(3,580)	(311)	(1,199)	(5,090)
Net Cost of Services	**(6,574)**	**(2,168)**	**(1,167)**	**(9,909)**
Other Income and Expenditure	**11,967**	**5,426**	**(2,682)**	**14,711**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit	**5,393**	**3,258**	**(3,849)**	**4,802**

(ii) 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	692	(182)	(98)	412
Net Cost of Services	**(1,533)**	**(956)**	**(129)**	**(2,618)**
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	**(17,651)**	**7,755**	**(11,388)**	**(21,284)**

29 ACQUIRED, DISCONTINUED AND TRANSFERRED OPERATIONS

There have been no acquired, discontinued or transferred operations during 2021/22.

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.

	2021/22			2020/21		
	£000	£000	£000	£000	£000	£000
	Income	Expenditure	Net	Income	Expenditure	Net
City Estates	(633)	192	(441)	(254)	166	(88)
St.Oswald's Park	(3,900)	197	(3,703)	(11)	66	55
Eastgate Market	(218)	202	(16)	(115)	210	95
Other markets	(45)	17	(28)	(80)	21	(59)
Lettings & Catering Services	(65)	269	204	(65)	269	204
Total	**(4,861)**	**877**	**(3,984)**	**(525)**	**732**	**207**

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

	2021/22 £000	2020/21 £000
Net surplus on Trading Operations	(3,984)	207
Net surplus credited to Other Operating Expenditure	**(3,984)**	**207**

31 **MEMBERS' ALLOWANCES**

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

	2021/22 £000	2020/21 £000
Allowances	347	349
Expenses	1	0
Total	**348**	**349**

Details of the allowances paid to each individual councillor are published on the Council's website - www.gloucester.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 auditor:

	2021/22 £'000	2020/21 £'000
Fees payable to Deloitte LLP		
- External audit services	41	96
- Certification of grant claims and returns	-	-
Total audit fees	**41**	**96**

33 OFFICERS' REMUNERATION

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

Senior Officer	Managing Director*		Corporate Director (until May 21)		Corporate Director (until July 21)		Director of Policy and Resources - Section 151 Officer	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Salary, fees & allowances	124,793	121,607	16,001	96,939	28,404	96,939	83,144	81,915
Bonuses	-	-	-	-	-	-	-	-
Expenses allowance	-	-	-	-	-	-	-	-
Compensation for loss of employment	-	-	-	-	-	-	-	-
Employer's pension contribution	24,210	23,852	3,104	18,806	5,510	18,806	16,130	15,891
Any other emoluments	-	-	-	-	-	-	-	-
Total	**£149,003**	**£145,459**	**£19,105**	**£115,745**	**£33,915**	**£115,745**	**£99,274**	**£97,806**

Senior Officer continued	Director of Communities (from Jan 22)	
	2021/22	2020/21
Salary, fees & allowances	75,227	-
Bonuses	-	-
Expenses allowance	-	-
Compensation for loss of employment	-	-
Employer's pension contribution	14,594	-
Any other emoluments	-	-
Total	**£89,821**	**£0**

* The Managing Director role was split between the City and County Councils until 1/11/21.

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	
	2021/22	2020/21
£50,000 to £54,999	3	1
£55,000 to £59,999	3	1
£60,000 to £64,999	-	1
£65,000 to £69,999	1	1
£70,000 to £74,999	-	-
£75,000 to £79,999	1	-
£80,000 to £84,999	-	1

34 TERMINATION BENEFITS

Details of termination benefits paid in 2021/22 are as follows:

	Number of Compulsory		Number of Other		Total Exit Packages by		Total Cost of Exit	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	Compulsory Redundancies	Number	Number of Other Departures Agreed	Number	Number	Number	£'000	£'000
Less than £20,000	-	-	-	-	-	-	-	-
Between £20,000 and £40,000	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-

35 GRANT INCOME

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

	2021/22 £'000	2020/21 £'000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	(87)	(87)
Capital Grants	(6,600)	(3,880)
New Homes Bonus	(803)	(977)
Business Rates Section 31 Grant	(5,194)	(11,464)
Covid-19 Grants	(1,503)	(4,495)
Other Grants	(342)	(1,145)
	(14,529)	(22,048)
Credited to Services		
Homelessness and other housing	(1,748)	(1,254)
Mandatory Rent Allowances	(29,733)	(31,464)
Rent Rebates	(278)	(565)
Other	(1,299)	(137)
	(33,059)	(33,420)
Total grants	**(47,588)**	**(55,468)**

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

	31/03/2022 £'000	31/03/2021 £'000
Capital Grants Received in Advance		
Bodiam Avenue	-	-
Cotswold View	-	-
Green Farm	81	81
British Energy	150	150
Hammersons	-	-
St Oswalds	2,200	44
Travis Perkins	-	274
Tolsey Gardens	31	31
Miller Homes	121	196
Newland Homes	-	-
Redrow Homes	-	548
Lime Grove Tuffley	-	-
Persimmon Homes Severn Valley	47	-
Crest Nicholson South West	108	106
Gloucester Diocese re St Aldates	-	-
BIES - Public Sector Decarbonisation Scheme 1	538	538
T&H Eastgate Cente & TSB	-	150
Rudloe Drive	50	50
Other contributions	(31)	207
Total	**3,296**	**2,375**

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

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 2022 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.

	2021/22		2020/21	
	Payments Made or Due £'000	**Income Rec'd £'000**	**Payments Made or Due £'000**	**Income Rec'd £'000**
Central Government				
Revenue Support Grant	-	(87)	-	(87)
Other Government grants	-	(24,757)	-	(56,663)
HRA negative subsidy				
Council Tax and Housing Benefit grants	-	(30,011)	-	(32,201)
NNDR	27,344	-	27,420	-
Other Local and Police Authorities				
Precepts	64,014	-	61,469	-
Gloucestershire County Council				
inc Pension Fund contributions	1,210	-	10,891	-
Gloucestershire Airport Limited				
Loan interest and rents	-	(62)	-	(62)
Quedgeley Parish Council	248	-	250	-
Others				
Gloucester Law Centre	29		38	-
Aspire Sports and Cultural Trust	46		20	-
Hucclecote Community Association	2		71	-
Hucclecote Surgery Patient Participation Group				
Gloucester Docks Estate Company	97		55	(38)
Citysafe	833		187	-
Llanthony Secunda Priory	3		-	(2)
Strike a Light	13		-	-
Gloucester Community Building Collective	58	39	8	(2)
Gloucester Wildlife Trust	11		-	-

Amounts due to or from related parties included in debtors and creditors as at 31 March 2022:

	2021/22 £'000	**2020/21 £'000**
Short-term Debtors	4,309	7,686
Long-term Debtors	-	130
Short-term Creditors	12,739	9,100
Short-term Borrowings	39,836	36,915

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.

	2021/22	2020/21
	£000	£000
Opening Capital Financing Requirement	**118,957**	**118,434**
Capital investment		
- Property, Plant and Equipment, heritage assets and assets held for sale	21,246	5,998
- Investment Properties	262	57
- Intangible Assets	105	9
- Long Term Loans	-	
- Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,715	1,281
	142,285	**125,779**
Sources of finance		
- Usable Capital Receipts	(654)	(467)
- Capital Grants and Contributions	(2,393)	(4,985)
- Revenue Financing	-	(500)
Revenue Provision (including Minimum Revenue Provision)	(891)	(870)
Closing Capital Financing Requirement	**138,347**	**118,957**
Explanation of movements in year		
Increase in underlying need to borrow for capital investment:		
- Unsupported by Government financial assistance	20,281	1,441
Amounts 'set aside' for debt repayment	(891)	(870)
Increase / (Decrease) in Capital Financing Requirement	**19,390**	**571**

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 2022.

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 £7.251 million (2021/22: £6.342 million). The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

	2021/22	2020/21
	£'000	£'000
Not later than one year	6,035	4,862
Later than one year and not later than five years	18,560	15,263
Later than five years	30,022	22,830
Total	**54,617**	**42,955**

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 £0.268 million in 2021/22 (2020/21: £0.299 million) made up as follows:

	2021/22	2020/21
	£'000	£'000
Minimum lease payments	268	299
Contingent rentals	-	-
Sub-lease payments receivable	-	-
Total	**268**	**299**

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

	2021/22	2020/21
	£'000	£'000
Not later than one year	3	221
Later than one year and not later than five years	12	12
Later than five years	159	162
Total	**174**	**395**

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 finance lease 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 £1.810m.

The lease liability is recorded as long-term borrowing within the Balance Sheet with a value of £31.137m. 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	1,640	1,584
Later than one year and not later than five years	6,897	5,773
Later than five years	90,550	23,780
Total	**99,087**	**31,137**

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.

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	2021/22 £000	2020/21 £000
Net Cost of Services :		
Current service cost (apportioned across services)	3,374	2,052
Actuarial Adjustment		(112)
Effects of settlements	-	-
Settlements and Curtailments (included in Non-Distributed costs)	-	-
Financing and Investment Income and Expenditure		
Net interest expense	1,186	1,188
Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,560	3,128
Other Post employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
-Return on plan assets (excluding the amount included in the net interest expense)	36,359	22,547
-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	(20,530)	(32,474)
-Other	198	-
Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Statement	20,587	(6,799)
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	(4,560)	(3,196)
Actual amount charged against the General Fund Balance for pensions in the year:		
- employer's contributions payable by the general fund to the scheme	(1,378)	10,995
- retirement benefits payable to pensioners	-	-
	14,649	**1,000**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2022 is a net deficit of £16.027 million (2020/21: £9.927 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	
	2021/22 £000	2020/21 £000
Opening balance at 1 April	**178,917**	**146,505**
Current service cost	3,374	2,052
Actuarial Adjustment		(44)
Effect of Settlements		
Interest cost	3,555	3,327
Contributions by scheme participants	416	396
Effects of business combinations and disposals		
Remeasurement gains and losses:		
-Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
-Actuarial (gains)/losses arising from changes in financial assumptions	20,530	32,474
-Other	(198)	
Losses/(gains) on curtailments	-	-
Benefits paid	(5,690)	(5,793)
Closing balance at 31 March	**200,904**	**178,917**

41 DEFINED BENEFIT PENSION SCHEMES (Continued)

Reconciliation of fair value of the scheme (plan) assets

Local Government Pension Scheme

	2021/22 £000	2020/21 £000
Opening balance at 1 April	**120,551**	**90,371**
Interest income	2,369	2,139
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	36,359	22,547
Effect of Settlements		
Effect of business combinations and disposals		
Employer contributions	1,210	10,891
Contributions by scheme participants	416	396
Benefits paid	(5,690)	(5,793)
Closing balance at 31 March	**155,215**	**120,551**

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-21 £'000	31-Mar-20 £'000
Present value of liabilities:		
Local Government Pension Scheme	(200,904)	(178,917)
Fair value of assets:		
Local Government Pension Scheme	155,215	120,551
Deficit in the scheme	**(45,689)**	**(58,366)**

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 £x 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 2022 was £x million (2020/21: £10.995 million), as a result of prepayement of three years of secondary contributions.

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 2022.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2021/22	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.9 years	21.9 years
- Women	24.6 years	24.3 years
Longevity at 65 for future pensioners:		
- Men	22.6 years	22.9 years
- Women	26 years	26 years
Rate of increase in salaries	3.70%	3.15%
Rate of increase in pensions	3.20%	2.85%
Rate for discounting scheme liabilities	2.70%	2.00%
Take-up of option to convert annual pension into Retirement lump sum	50%	68%

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
0.1% Decrease in real discount rate	2%	3,167
1 year increase in member life expectancy	4%	8,036
0.1% Increase in the salary increase rate	0%	269
0.1% Increase in the pension increase rate	1%	2,875

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	2021/22				2020/21			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %
Debt Securities								
Corporate Bonds (investment grade)	0		0	0%	13,599	-	13,599	11%
Corporate Bonds (non-investment grade)	0		0	0%	300	-	300	0%
UK Government	0		0	0%	1,543	-	1,543	1%
Other	-		-	0%	462	-	462	0%
Private Equity								
All	-	1,693	1,693	1%	-	616	616	1%
Real Estate								
UK Property	6,462	4,503	10,966	7%	5,836	1,795	7,632	6%
Overseas Property	-	1,080	1,080	1%	-	564	564	0%
Investment Funds and Unit Trusts								
Equities	-	105,552	105,552	68%	-	79,989	79,989	66%
Bonds	9,913	18,691	28,604	18%	8,775	299	9,075	8%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	1,563	1,563	1%	-	613	613	1%
Other	-	3,691	3,691	2%	-	2,772	2,772	2%
Derivatives								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	30	-	30	0%
Other	-	-	0	0%	9	-	9	0%
Cash and Cash Equivalents								
All	2,068	-	2,068	1%	3,349	-	3,349	3%
Totals	**18,444**	**136,771**	**155,215**	**100%**	**33,903**	**86,648**	**120,551**	**100%**

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 1 April 2025.

The Council is anticipated to pay £1.158m contributions to the scheme in 2022/23.

The weighted average duration of the defined benefit obligation for scheme members is 17 years for 2021/22.

42 CONTINGENT LIABILITIES

The Council has no contingent liabilities at the Balance Sheet date

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 £9.19million (2020/21: £5.47million) 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 £0.0 million (2020/21: £0.130 million) and are considered to have a low credit risk.

The Council does not generally allow credit for customers and £1.355 million, of the debtors balance of £28.716 million (see Note 15) is past its due date for payment as follows:

	£'000
Less than four months	440
Four months - one year	227
More than One year	688
Total	**1,355**

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 31/03/2022**
	%
Less than one year	4%
One - two years	0%
Two - five years	0%
Five - 10 years	7%
Over 10 years	89%
	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.

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 2022, 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	70,121	3.95%	2,770	4.95%	3,471	702
Short-term-variable	42,230	0.78%	329	1.78%	752	422
	112,351		3,099		4,223	1,124
Investments						
Short-term-variable	-	0.00%	-	1.00%	-	-
Net loss/(gain) on deficit/(surplus) for the year						**1,124**

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-22 £'000	31-Mar-21 £'000	31-Mar-22 £'000	31-Mar-21 £'000
Gloucestershire Airport Ltd	-	94	-	-
CCLA	10,523	9,487	10,523	9,487
Total	**10,523**	**9,581**	**10,523**	**9,487**

The Council has invested £10m to purchase units of CCLA Property & Diversified Income shares. As at 31st March, the bid price per unit was 339.82p (£5.433m) and 1.549p (£5.090m), 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 to Gloucetershire Airport, the fair value of this investment is £0.0m.

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.

financial statements, since the Council's shareholdings may not fully reflect its share of the respective entities' assets and liabilities.

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 IFRS 11.

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 2022 reflected the following:

	2021/22 £000	2020/21 £000
After tax operating (loss)/profit	(599)	345
Net assets	25,241	26,619

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.

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.

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 (2020/21:£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 £ 2021/22 £000	Gloucester City Council's Share £ 2021/22 £000	Gloucestershire Airport Limited £ 2020/21 £000	Gloucester City Council's Share £ 2020/21 £000
Turnover	5,906	2,953	4,491	2,246
Profit on ordinary activities before taxation	770	385	391	196
Tax on profit on ordinary activities	(1,369)	(685)	(46)	(23)
Profit for the financial year after taxation	(599)	(300)	345	172
Fixed Assets	41,580	20,790	36,008	18,004
Current Assets	1,449	725	1,169	585
Liabilities due within one year	7,507	3,753	3,085	1,542
Liabilities due after one year	10,281	5,141	7,473	3,737
Net pension liability	-	-	-	-
		12,620		13,310
Less: Investment		-		(94)
Share of Assets consolidated using the equity approach		12,620		13,216

The Airport did not pay any dividend for the year ended 31st March 2022 (2021: £Nil).

The accounts of GAL for the year ending 31 March 2022 can be obtained from the Airport Company Secretary at the company's registered office
- The Terminal Building, Staverton, Nr Cheltenham, Glos, GL51 6SR.

SUPPLEMENTARY FINANCIAL STATEMENTS

COLLECTION FUND

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT For the year ended 31 March 2022					
	Note	2021/22			2020/21
		£'000	£'000	£'000	£'000
		Council Tax	Business Rates	Total	Total
INCOME					
Non Domestic Rates					
Collectable from Business Ratepayers	2,4	-	(45,032)	(45,032)	(25,814)
Council Tax					
Collectable from Council Tax Payers	1	(73,076)	-	(73,076)	(69,189)
		(73,076)	**(45,032)**	**(118,108)**	**(95,003)**
EXPENDITURE					
Non-Domestic Rates					
Payment to Gloucester City Council		-	21,875	21,875	21,936
Payment to Central Government		-	27,344	27,344	27,420
Payment to Gloucestershire County Council		-	5,469	5,469	5,484
Council Tax Precepts					
Gloucester City Council		8,329	-	8,329	8,189
Gloucestershire County Council		53,719	-	53,719	51,602
Police and Crime Commissioner for Gloucestershire		10,295	-	10,295	9,867
Transitional Protection Payments Payable To Government		-	645	645	-
Write-Offs				-	490
Increase/(Decrease) in bad debt provisions		404	(125)	279	288
Increase/(Decrease) in Provision for NNDR Appeals		-	398	398	(15)
Cost of NNDR Collection		-	171	171	171
Distribution of Previous Years' estimated Collection Fund Surplus/(Deficit)		(1,100)	(26,600)	(27,700)	1,959
		71,647	**29,177**	**100,824**	**127,391**
(Surplus)/Deficit arising during the year		**(1,429)**	**(15,855)**	**(17,284)**	**32,388**
(Surplus)/Deficit at start of the year		1,035	28,431	29,466	(2,922)
(Surplus)/Deficit at end of the year		**(394)**	**12,576**	**12,182**	**29,466**

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	14,463	6/9	9,642
B	14,693	7/9	11,428
C	12,657	8/9	11,251
D	5,490	9/9	5,490
E	3,530	11/9	4,314
F	846	13/9	1,222
G	141	15/9	235
H	3	18/9	4
Total	**51,875**		**43,616**
Less: Council Tax Support Scheme			(4,548)
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)			(545)
Council Tax Base for 2021/22			**38,523**
Council Tax Base for 2020/21			**37,999**

The Council Tax Base for 2021/22 multiplied by the Average Band D Council Tax Charge gives the Total of Precepts and Demands for the Year:

Tax Base	38,523
	X
Average Band D Charge	1,891.29
Precepts and Demands (£000s)	72,858

Properties within the boundaries of Quedgeley Parish Council pay an additional Council Tax sum to fund the activities of the Parish Council. For the 2021/22 year this was as follows.

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

2 INCOME FROM BUSINESS RATEPAYERS

For the year ended 31 March 2022

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 2022 was £126.8 million (£130.2 million at 31 March 2021) and the national non-domestic multiplier for 2021/22 was 51.2p (2020/21 51.2p), resulting in net income after transitional, small property, empty property and mandatory reliefs of £43.9 million (£26.5 million in 2020/21).

During 2020/21 the Government introduced additional reliefs 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 were 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. This deficit was 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 2021/22 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 2021/22.

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 2021/22 was £16.3 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 surplus for 2021/22 is £0.394 million (2020/21 deficit £1.034 million). This is apportioned as follows:

	2021/22 £'000	2020/21 £'000
Gloucestershire County Council	(293)	766
Police and Crime Commissioner for Gloucestershire	(57)	146
Gloucester City Council	(44)	123
Total	**(394)**	**1,035**

The exceptional deficit on the Council Tax collection fund is being spread over 3 years in accordance with guidance from the Government. This was partly recovered from the respective parties in 2021/22 and will continue to be recovered in 2022/23. No further deficit or surplus was declared in January 2022.

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 in 2020/21 and in return the Government provided early Section 31 grants to ensure cash liquidity for the Council (as a billing authority). These unusual circumstances led to the collection fund relating to NNDR recording an in year deficit. This has partly been recovered during 2021/22 with a surplus of £15.855 million being recorded (2020/21 - £29.982m deficit). The remaining closing deficit is apportioned between the relevant bodies as follows.

Apportionment of Net Deficit relating to NNDR	2021/22 £'000	2020/21 £'000
Gloucestershire County Council	6,288	2,843
Central Government	1,258	14,216
Gloucester City Council	5,030	11,372
Total	**12,576**	**28,431**

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 2022 was £2.996 million. This has been split amongst the two recipients of Business Rates Income according to their respective share.

	2021/22 £'000	2020/21 £'000
Central Government	1,498	1,299

Gloucester City Council	1,198	1,039
Gloucestershire County Council	300	260
Total	**2,996**	**2,598**

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).

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.

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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Agenda Item 8

Gloucester City Council

Meeting:	**Audit and Governance Committee**	**Date:**	**4th March 2024**
Subject:	**Internal Audit Activity Progress Report 2023-24**		
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: **piyush.fatania@gloucestershire.gov.uk**	**Tel:**	**01452 328883**
Appendices:	**A: Internal Audit Activity Progress Report 2023-24**		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To inform the Committee of the Internal Audit activity progress in relation to the Internal Audit Plan 2023-24.

2.0 Recommendations

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

i. Accept the progress against the Internal Audit Plan 2023-24.

3.0 Background and Key Issues

3.1 The Committee approved the Internal Audit Plan 2023-24 at the 17th July 2023 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 2023-24 at **Appendix A** summarises:

i. The progress and final position on the Internal Audit Plan 2023-24, including the assurance opinions on the effectiveness of risk management and control processes;

ii. The outcomes of the delivered Internal Audit Plan 2023-24 activity;

iii. The number of recommendations that remain open from 2022-23 and 2023-24 to date; and

iv. Special investigations/counter fraud activity.

3.2 This report is the fifth report in relation to the Internal Audit Plan 2023-24.

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. The purpose of this report is to inform the Committee of the Internal Audit work undertaken to date and the assurance opinions provided. 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 enable the Committee to understand what assurance it can take from that work and what unresolved risks or issues it needs to address.

7.3 Consideration of reports from the Head of ARA on Internal Audit's work and performance during the year 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 Internal Audit Activity Progress Reports against the 2023-24 Risk Based Internal Audit Plan are scheduled to be presented to the Audit and Governance Committee within 2023-24. This is in accordance with the PSIAS and as reflected within the Audit and Governance Committee work programme.

9.0 Financial Implications

9.1 There are no financial implications as a result of the recommendations made in 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.

The Monitoring Officer has 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 A PIA is not necessary.

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.

Background Documents:

PSIAS
CIPFA Local Government Application Note for the UK PSIAS

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PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

March 2024

1. Introduction

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

1.2 ARA provides these services in accordance with the Public Sector Internal Audit Standards 2017 (PSIAS) which represent the "proper Internal Audit practices". The standards define the way in which the Internal Audit service should be established and undertake its operations.

1.3 In accordance with the PSIAS, the Head of Internal Audit is required to regularly provide progress reports on Internal Audit activity to management and the Audit and Governance Committee. This report summarises:

i. The progress against the Internal Audit Plan 2023/24 (Appendix A).

ii. The outcomes of the 2023/24 Internal Audit activity delivered up to mid-December 2023 following the previous Committee in November 2023.

iii. The number of recommendations that remain open from 2022-23 and 2023-24 to date (Appendix B); and

iv. Special investigations and counter fraud activity.

1.4 Internal Audit plays a key role in providing independent assurance and advice to the Council that these arrangements are in place and operating effectively. However, it should be emphasised that officers of the Council are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non-financial) and governance arrangements.

2. Summary of 2023-24 Internal Audit work delivered up to mid-February 2024

2.1 Table 1 below summarises the audits delivered up to mid-February 2024, since the previous Committee in January 2024.

Audit	Assurance Level	Supporting Paragraph
Housing Benefits & Council Tax Reduction	Acceptable	2.3
Section 106 Follow Up	N/A	2.4
Employee Wellbeing and Retention	N/A	2.5

Table 1 – Summary of audits delivered.

2.2 The following Assurance criteria are applied to Internal Audit reports:

i. <u>Substantial assurance</u> – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;

ii. Acceptable assurance – all key controls are in place and working but there are some reservations in connection with the operational effectiveness of some key controls. The Council has a low to medium exposure to business risk;

iii. Limited assurance – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and

iv. No assurance – no key controls are in place, or no key controls are working effectively. The Council has a high exposure to business risk.

2.3 **Audit Activity: Housing Benefits & Council Tax Reduction**

i. Assurance Level for this report: Acceptable;

ii. Recommendations arising from this review have been prioritised as:

High Priority:	1
Medium Priority:	5
Low Priority:	3
Rejected:	0

2.3.1 **Scope**: This audit reviewed the adequacy and effectiveness of the current procedures and controls in place regarding Housing Benefits and Council Tax Support.

2.3.2 **Key Findings**:

i. The Benefits Team were not performing reviews of existing claims to confirm their eligibility at the time of the audit. More specifically;
- The last review of the housing benefits claim eligibility was done in December 2021 based on the risk assessment provided by the Department for Work and Pensions (DWP). Since then, the DWP sent new assessments which were not actioned (last received in July 2023) at the start of the audit.
- ARA identified several housing benefit claims for the same addresses but was not able to confirm that these related to House of Multiple Occupancy (HMO). These claims are not associated with a unique property reference number (UPRN) and are not reviewed to ensure they are not duplicates.
- We acknowledge management awareness of this issue. Where different claimants are using the same UPRN, there is a risk that fraud, duplication, and unauthorised payments could occur especially where claimants' eligibility for benefits are not regularly reviewed.

Risk: Payments may continue to be made to ineligible claimants resulting in financial loss to the Council.

Recommendation: The Benefits Manager should:

i. Review the high-risk claims highlighted by the DWP and implement a regular review based on the age of the claims to ensure these are still valid.

ii. Assign a unique reference for each room within a HMO and implement a regular review of the duplicate claims for the same addresses and same UPRN. This is to ensure that existing controls are enhanced.

ii. The National Fraud Initiative matching exercise has not been undertaken since the last financial year. This was attributed to out-of-date records arising from the cyber-attacks experienced by the function. As a mitigation ARA noted that an exemption approval was sought from the S151 Officer at the time and a dedicated fraud Officer role is in place to prevent fraud and investigate allegations.

Risk: The absence of NFI matching process poses a potential risk of fraudulent activities going undetected.

Recommendation: The Benefits Manager should conduct the NFI matching exercise for housing benefit (HB) and council tax support (CTS) records as soon as practical to assist in highlighting any fraudulent claims.

iii. No business impact assessment has been undertaken for the Revenue and Benefits function to identify the key systems and processes to ensure the continuity of its operations.

Risk: This poses a risk of inability to manage the impact of unexpected events should they occur.

Recommendation: The Service Delivery Manager – Revenues and Benefits should undertake a Business Impact Assessment on the operations of HB and CTS that will be used to design a Business Continuity Plan.

iv. On a daily basis, quality assurance checks are independently carried out on the various types of claims processed. The outcome of these checks is recorded and where applicable followed up with the respective assessor. We were informed that the Benefits Manager reviews the quality assurance checks spreadsheet to identify any patterns regarding errors or ongoing issues to be rectified. There are, however, no formalised oversight arrangements in place to provide management with the requisite assurance of the effectiveness of this process and to demonstrate corrective actions being taken. Furthermore, there is a documented process covering the selection of a sample of output for quality assurance checks. The sample is selected randomly. There is a likelihood of certain unusual processes not being selected for quality checks.

Risk: Issues arising from quality assurance checks may not be addressed and lessons learned not captured. There is a risk that certain outputs may not be subject to quality assurance checks.

Recommendation: Oversight arrangements over the quality assurance checks processes should be evidenced including demonstration of corrective measures being taken. In addition, the sample selected for quality assurance checks should account for any unusual and infrequent processes undertaken.

v. There are controls in place regarding changes to claimants' bank account details which requires request in writing, system checks to confirm new account number and sort codes are in agreement. This is further controlled from the banks' authentication checks. However, in view of the risk of fraud in this area of activity and the lack of segregation in this task, controls could be further enhanced by the production of oversight reports for managerial and independent review as and when claimants' bank account changes occur.

Risk: Unauthorised changes to claimants' bank accounts could occur leading to fraudulent activities.

Recommendation: The Benefits Manager should check independently that claimants' bank account changes are authenticated adequately.

vi. A draft risk register for Revenues and Benefits is currently being developed and being discussed with the Head of Finance and Resources. ARA reviewed the draft document and identified some improvements in the areas of identifying controls and assigning ownerships for all risks.

Risk: Risks may not be adequately managed.

Recommendation: The Service Delivery Manager – Revenues and Benefits should ensure all risks captured in the risk register have mitigating controls and are assigned to risk owners for their management.

2.4 **Section 106 Follow Up (Service Area: Communities)**

2.4.1 The audit followed up the implementation of the 11 recommendations made from the 2022-23 audit.

2.4.2 Five recommendations (one high and four medium) have been implemented and therefore closed. The remaining six recommendations that remain open are as follows;

i. One high recommendation related to (i) the use of Exacom instead of spreadsheets and (ii) the update of information in the system for the operating of S106 agreements. It was confirmed that Exacom has been nominated the priority system for the administration of S106 agreements. The new process involving all the relevant teams has been communicated. Work has also been undertaken to update the S106 agreements in Exacom and all the live operating agreements are now all managed through Exacom. However, the reconciliation between Exacom and the general ledger has not been completed yet, which means the recommendation has only been partially implemented and therefore remains open.

ii. One high recommendation related to the need for quarterly reconciliations between Exacom, Uniform and the general ledger. ARA understand that a reconciliation with Uniform is at this stage less relevant as it contains basic information. However, ARA was not able to evidence that the regular reconciliations between Exacom and the general ledger have taken place. Therefore, this recommendation remains open, and ARA will continue monitoring the progress of the work undertaken.

iii. One high recommendation related to the developer contributions calculations and figures (including the monitoring fee). All the live agreements are now all managed through Exacom, and further work is being progressed to ensure the accuracy of the data and the information for the historical agreements. Management have prioritised live agreements against historical ones as the latter represent a lower risk. As the reconciliation between Exacom and the general ledger has not been completed at the time of this review, ARA could not confirm the accuracy of the data in Exacom. The fee schedule for S106 agreements for 2024/2025 is included the fees and charges book, which has been presented to the Overview & Scrutiny committee on 22nd January 2024 and to Cabinet on 7th February 2024. It is yet to be agreed as part of the budgeting cycle at budget Council (February 2024). ARA was advised that there has been no previous opportunity to get it approved. This recommendation is partially implemented and remains therefore open and will continue to be monitored.

iv. One high recommendation related to the implementation of (i) a S106 quarterly reporting to management, (ii) a review of developer contributions spend to confirm deadlines are being met and (iii) a half yearly reporting to the Planning Committee.
   a. Quarterly reports on the status and position of all operating S106 agreements are still to be implemented. The S106 monitoring report has been added to the Senior Management Team (SMT) forward plan for 20th February 2023 and then quarterly thereafter;
   b. An update on S106 audit recommendations was provided at the November 2023 Audit and Governance Committee by the S151 officer including the five agreements identified in the initial report. At the time of this review:
      - One agreement was not reviewed as deemed immaterial;
      - For one agreement, evidence was received that all the remaining funds had been spent and there were no further funds available;
      - For one agreement, ARA was advised that all the remaining funds had been spent and there were no further funds available but management was not able to provide supporting evidence to confirm this;
      - For one agreement, the remaining funds were committed, which was discussed in Cabinet in February 2019, which complied with the terms of the agreement; and
      - For one agreement the remaining funds had been allocated to part of the project but with no deadline. On this particular agreement, OneLegal confirmed that "a sensible approach would be to say that the money should be spent within 10 years of payment, although this is not a requirement as there is no repayment clause", giving October 2026 as the earliest possible expiry date.
   c. In addition, the original audit report also identified developer's contributions for three S106 agreements totalling approximately £85k for affordable homes received in 2018. These contributions have not yet been spent as no suitable schemes have been identified. Based on the 10-year precedent we understand that time to use the funds has not elapsed yet.
   d. The unpaid contribution highlighted in the audit report (£75k) is subject to the Council recovery process. ARA was provided the evidence that the developer had been since added on the Land and Charges register.

Due to the lack of supporting evidence provided regarding one of the five agreements that were initially reviewed and the quarterly reporting arrangements not yet fully established, this recommendation remains open and will continue to be monitored.

v. One medium recommendation related to (i) the accuracy of the Land and Charges register and (ii) the implementation of a quarterly reconciliation between the Land charges system and Exacom. ARA received the evidence that there is a record in the Land and Charges register for the five agreements identified in the initial report. However, the reconciliation between the Land charges system and Exacom to ensure completeness and accuracy is yet to take place. Therefore, the recommendation remains open.

vi. One medium recommendation related to the monitoring fees which should be recorded on the Council's Fees and Charges schedule and subject to annual review and approval by Members. As noted in point iii above, ARA received the fee schedule for S106 agreements for 2024/2025. It is yet to be agreed as part of the budgeting cycle at budget Council (February 2024), with no prior opportunity for approval. Therefore, the recommendation remains open until the fee schedule is approved by the Council.

2.5 **Consultancy Audit Activity: Employee Wellbeing and Retention (Service Area: Transformation and Commissioning**

A consultancy review of the employee wellbeing initiatives was undertaken. The purpose of the consultancy review was to review the procedures and controls in place to mitigate the risks of employees' wellbeing being negatively impacted and the result on retention.

Scope – There are several factors that can impact on employee wellbeing, which can vary depending on each employee. Internal Audit explored the different wellbeing 'levers' on employees and identified the following areas that could be impacted whilst at work;

i. Mental health;
ii. Physical health;
iii. Level of employee engagement; and
iv. Incentives (remuneration and available benefits).

2.5.1 **Key Findings**:

There are several initiatives in place at the Council to promote and support the wellbeing of its employees, namely;

<u>Mental Health</u>

i. An Employee Assistance Programme (EAP) is available to all Council staff and their family on a 24/7 basis. It is managed by an external provider, which is accessible by phone, online and mobile application and provides a range of support including financial, stress and relationship advice. The provider responds within 24 hours as per the Service Level Agreement. For the period September 2022 to August 2023 EAP received 257 calls from Council employees. Gloucestershire County Council (GCC) Occupational Health (OH) manages the contract to ensure a high level of service.

ii. Employees also have direct access to GCC OH. For the period September 2022 to September 2023, 19 management referrals were submitted from the Council via the OH Portal, which resulted in 36 referral appointments.

iii. An employee wellbeing group is also in place and first aid mental health officers are being trained.

iv. From the staff annual survey, it is understood that there is a reduction in people who found the mental health and wellbeing information useful. Management should consider raising awareness and periodically communicating to staff all the services available, (including those listed above), to promote mental health support.

Physical Health

v. Two "health clinics" sessions were run for Council employees in March 2023, which included a practitioner conducing health checks and providing guidance on lifestyle habits. These sessions were attended by 11 employees from a wide range of departments. Periodic or annual health clinics should be considered, with promotional activities undertaken to encourage employee attendance.

vi. Control of Noise at Work Regulations and the Control of Vibration at Work Regulations were both introduced to the UK in 2005. These regulations set out employers' legal responsibilities and the steps that need to be taken to keep employees safe from the risks of noise and vibration at work. The Council have performed several assessments to comply with the regulations, namely at the Guildhall (noise) and at the Crematorium (vibrations). Specific equipment has been provided to employees at those venues. However, it was noted that;

    a. The Cultural Services Safety Officer has assessed the health and safety risks for venue-based staff (for example at Guildhall). One of the mitigating actions for those risks is the provision of a series of training sessions to staff. Although a list of possible training sessions was identified in May 2023, there has been no approval of which training should be provided. This may be due to the lack of clarity as to which of the three available budgets should be utilised. The lack of training and awareness sessions can impact staff wellbeing as it affects their ability to carry out their jobs effectively. To support the training, management should confirm the appropriate budget to utilise.

    b. In addition, the contract of the current full time Cultural Services Safety Officer expires at the end of 2023. To ensure the continuity of operations, it would be beneficial if management (Culture) have handover procedures documented, including the key residual health and safety risks for the Council. Once the Cultural Services Safety Officer contract expires, management may wish to formalise the health and safety roles and responsibilities at the venues and confirm that resources allocated to health and safety remain adequate.

    c. Employees at the Robinswood Hill Country Park are exposed to vibrations and noise. The Council should confirm with the Wildlife Trust, where the rangers are seconded, that an assessment has or will be conducted to confirm compliance with the regulations.

Level of Engagement

vii. Annually staff surveys are conducted to assess the level of engagement of the Council's employees. The last survey was completed in March 2023 and the results were presented in June and September 2023 to the Senior Management Team (SMT), including the areas of attention. An employee forum attended by "change champions" is in place to discuss the actions to implement to address the key issues, such as:

a. Promoting health training opportunities and exploring the creating of mental health champions, which is in place in some other Councils.

b. Organising lunch and learn sessions on how they deal with difficult calls (relevant to the Revenues & Benefits Teams and the Customer Service Teams).

ARA suggest that the implementation of these actions continue to be monitored as well as considering the following training sessions: self-defence session (how to diffuse difficult situations), and trauma management, which had been delivered pre-Covid to Officers.

viii. The annual survey, highlighted the following wellbeing area for attention: "The results included increased concerns with bullying, harassment, victimisation, discrimination with respondents (24%) stating that Members were involved." Members have all signed the Declaration of Acceptance of Office. However, raising awareness regarding these concerns in the Group Leader Committee meeting and other forums attended by Members, is an opportunity to share and reflect on staff survey results. This could include determining any further actions required to manage and ease staff concerns, for example 'You said – we did' approach.

ix. Exit interviews and questionnaires are offered to employees to understand the reasons for leaving and analysing possible trends. Those trends are reported to the SMT for action to improve retention. Based on a sample review of exit interviews, it was noted that 70% of leavers did not provide their feedback and the reason for doing so was not available. The current process is highly manual including the booking of the exit meeting and the email sent with the link to the exit survey. The response rate may increase with a more automated workflow triggered as soon as the employee submits their resignation.

Incentives

x. Remuneration may play a part in employee wellbeing and the perception of insufficient financial reward can have a negative impact and ultimately make retention more challenging. Gloucestershire County Council is in the process of performing regular benchmark exercises on certain key roles (for example Legal Services and Social Care), where it is recognised that recruitment is a challenge. Gloucester City Council Management may wish to consider implementing the same benchmarking exercise if recruitment in some key roles is considered as an issue. This benchmarking exercise should also include other relevant benefits (flexi-time, annual leave, etc).

xi. Available benefits are in line with market practice and include cycle to work scheme, childcare vouchers, holiday purchase among others. These benefits are available on the intranet and included in the new joiner induction pack. From discussions with a sample of ex-Tupe employees that joined the Council in December 2022 (approximately 50 staff), they have not participated in the Council's new joiner induction process. This could result in an incomplete knowledge of the benefits and incentives available. Question and answer sessions and welcome meetings were organised when those employees joined the Council. Consideration should be given to relaunching and communicating all available incentives to ensure all incentives and benefits are known, including how to access them.

xii. The Policy & Reward Team at Gloucestershire County Council do not regularly benchmark against other local authorities. However, there is a process of scheduling benchmarking work on benefits, comparing the Council's benefits to on what is offered to Tewksbury, Cheltenham and to some other South-West Councils. Opportunities could also be explored across wider Local Authority networks.

xiii. A workforce strategy was agreed in September 2023, and due to this being recently approved the development of an action plan is in its infancy to clearly state how the strategy will be delivered. Management may wish to monitor the timely progress in developing an action plan to support the delivery of this strategy.

2.5.2 Conclusion

xiv. Services and initiatives enhancing employee wellbeing and retention are in place at the Council, which is positive. Further opportunities exist for management to enhance the wellbeing 'offer' regarding mental health support, health and safety assessments, engagement and communication and incentives.

3 Recommendation Monitoring - Open Audit Recommendations

i. For all recommendations, updates are requested from action owners following the agreed implementation date, to establish progress in implementing the recommendations. For any recommendations that continue to be progressed, further updates are obtained based on any revised implementation dates.

ii. Table 2 below summarises the current open recommendations from 2022-23 and 2023-24 (to date) per audit and risk priority. Full details of all the open recommendations can be seen at Appendix B.

Ref.	Audit Activity	Date Report Issued	No. of Open Recommendations	Risk Priority		
				High	Medium	Low
1.	Health & Safety Limited Assurance 2nd Follow Up	April 2022	1	1	0	0

2.	Gloucestershire Airport	June 2022	1	0	1	0
3.	Recycling Commodities	October 2022	1	1	0	0
4.	Section 106	December 2022	6	4	2	0
5.	Housing Strategy	June 2023	1	1	0	0
6.	Procurement	June 2023	2	2	0	0
7.	Leavers Process – Off-Boarding	October 2023	1	0	1	0
8.	Payroll	November 2023	3	3	0	0
9.	Agency Staff	November 2023	3	0	3	0
10	IR35 (Off-Payroll Working)	December 2023	3	0	3	0
11	Patch Management*	December 2023	5	1	4	0
	Total		**27**	**13**	**14**	**0**

Table 2 – Open Recommendations

* Patch management has not been included in Appendix B due to being exempt by virtue of the Information Exemption Category. Managements target implementation for the recommendations is 31st March 2024, and we will request an update from management in April 2024 and provide an update at the July 2024 Committee meeting.

4 Counter Fraud Update – Summary of Counter Fraud Activities

Current Year Counter Fraud Activities

4.5 To date in 2023-24 there have been seven new referrals made to the ARA Counter Fraud Team (CFT).

4.6 After initial triage by the CFT, four of the referrals were converted to cases. One case was reported as closed to the last Audit and Governance Committee (AGC). Three cases remain open and overviews of the findings will be reported to Committee on their closure.

4.7 In respect of the three remaining referrals, one was reported as closed to the last AGC. The two outstanding referrals are now in a position to be closed.

i. One referral was a request from One Legal to support with the acquisition of information through the National Anti Fraud Network (NAFN). Searches, related to an ongoing investigation, were submitted and the findings provided back to One Legal. Referral closed as no further action required from the CFT.

ii. The second referral was related to claims of impropriety and failure to follow the Council's contract rules in respect of the procurement process for the works at Wellington Parade Rose Garden. The CFT reviewed the procurement process and found no evidence to suggest that Council procedures had not been followed. The

Council's procurement and contract publication tool shows that six companies were approached in connection with submitting a quote for the work. These included local, national, and existing Council suppliers. Of these six only one supplier submitted a tender for the work. This company was offered the contract. In the absence of any further specific concerns, this referral will now be closed.

4.8 Not all investigations (for example conduct, non-compliance and ethics issues) can have an assessed value attached to them or result in the recovery of monies. CFT investigations, analytics and consultative work may add value in other ways such as providing assurance to members and residents, reducing Council vulnerabilities and mitigating risk.

4.9 It should be noted that many of the cases referred to the CFT involve intricate detail and, sometimes, police referral. This invariably results in a delay before the investigation can be classed as closed and the summary outcome reported to Committee.

4.10 In addition to the above, counter fraud advice and alerts are routinely provided outside of the creation of referrals and cases.

4.11 Senior Management are currently reviewing and updating the Council's Whistle Blowing policy. The CFT are continuing to work with Officers to review and update the Whistle Blowing policy and reporting process. The new process will include a more streamlined way of reporting and monitoring referrals.

Recruitment

4.12 The CFT is pleased to announce that they have recruited a new Principal Auditor Counter Fraud Specialist. The new team member is a name some will recognise as it is Alison Bell, currently the Council's Support & Service Development Manager, Revenues and Benefits. Alison is due to start work with the CFT in April 2024 and she brings with her a wealth of investigation experience and knowledge of the districts that will enhance the counter fraud service offered by ARA.

National Fraud Initiative (NFI)

4.13 The CFT continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data matching reports for the 2022-23 exercise have been released for review.

4.14 Council Tax and Electoral data is due to be uploaded between 30th November 2023 and no later than 19th January 2024. The CFT will continue to liaise with the relevant teams to ensure that the set deadlines are met.

4.15 Full details of the NFI timetables can be found using the link available on GOV.UK website – www.gov.uk/government/publications/national-fraud-initiative-timetables.

4.16 Examples of NFI data sets uploaded to NFI includes housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader or operator, taxi drivers and personal licences to supply alcohol.

4.17 Not all matches are investigated. Where possible, all recommended or high fraud risk matches are reviewed by either the CFT or the appropriate service area within the Council.

National Anti-Fraud Network (NAFN)

4.18 NAFN is a public sector organisation which exists to support its members in protecting the public interest. It is one of the largest shared services in the country managed by, and for the benefit of its members. NAFN is currently hosted by Tameside Metropolitan Borough Council.

4.19 Membership is open to any organisation that has responsibility for managing public funds or assets. Use of NAFN services is voluntary, which ensures delivery of value for money. Currently, almost 90% of councils are members and there are a rapidly growing number of affiliated wider public sector bodies including social housing providers.

4.20 Many potential attempted frauds are intercepted. This is due to a combination of local knowledge together with credible national communications, including those from the NAFN. Fraud risk areas are swiftly cascaded to teams by the CFT for the purpose of prevention, for example national targeted frauds.

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Directorate	Year	Audit	Rating	Date Final Report Issued	Target Implementation Date	Revised Implementation Date	Action Owner	Recommendation	Management Reponse	Management Updates	ARA Comments
Council Wide	2022-23	Health and Safety Limited Assurance Second Follow Up	High	04/04/22	31/07/2022	30/11/2022 31/01/2023 31/03/2023 30/06/2024	Property Commissioning Manager New Officer Responsible Senior Building Works Surveyor	The Property and Commissioning Manager should provide clarity to building managers on where the division of responsibilities lay regarding premise related health and safety issues.	Prior to the Audit we had commenced a gap analysis of our records, although inspections have been carried out jointly by Property Management and Community Wellbeing officers the records were incomplete. To complete this process, we are now on site carrying out property compliance inspections and will have finished this exercise by the end of March, steps are in place following this to close any gaps in our records and ensure that actions are picked up and all timescales complied with. We will also assist in drafting a manual for service managers and also one for Property Management officers. Any outstanding tests in the examples above have either been completed or contractors have been instructed. For the sake of clarity, it should be noted that there is no requirement for further asbestos testing at our properties unless work is being carried out.	Update September 2019: We are liaising with building managers direct and through the Strategic Health and Safety Management Group to provide clarity on the division of responsibility for compliance. When time allows, we hope to draft building manuals for the operational properties that will record the split. Any gaps in our records have now been filled in and any outstanding test revealed have been completed. We have an inspection regime in place, and we are also starting to inspect and check the compliance of any of our leased-out properties. Update April 2022: Subject to the accessibility of IT systems being restored, the project will identify staff resourcing needs and milestones for buildings health and safety issues which is integral to the Techforge project. This process is expected to be implemented by July 2022. October 2023 The Council decided to implement a new system called Techforge back in 2020 and to write and embed building manuals, including the roles and responsibilities with regards to Health and Safety. However, following the Cyber incident and a lack of available resources, the project of implementing Techforge was paused. Property Services has relaunched the project and meetings have been agreed with Techforge in November 2023 to redesign the project plan.	Following the update received in October 2023 this recommendation is on-going a further update will be obtained in July 2024.
Policy and Resources	2022-23	Gloucestershire Airport	Medium	30/06/22	31/07/2022		Director of Policy and Resources.	The Airport to undertake annual Board effectiveness reviews with the outcome being reported to Shareholders.	GAL will be contacted and requested to review and implement this recommendation.	February 2024 The Director of Policy and Resources is contacting the Chair of the Board to progress this recommendation. `	A further update will be obtained in May 2024 to assess progress.
Place	2022-23	Recycling Commodities	High	11/10/22	31/03/2023	31/12/2023	Waste, Recycling and Environment Manager	Senior management should continue to engage with Gloucestershire County Council to table for consideration of the procurement of a contract to recycle street and road sweepings for all Gloucestershire councils.	This is something I have pressed for since 2015, but it is out of the district authority control. The WDA is responsible for this waste and is already in a contract with Urbaser through Javelin Park. Gloucester City Council will continue to look for opportunities with Gloucestershire County Council to recycle road sweepings and raise in the joint waste partnership meetings for discussion.	Update March 2023 I continue to raise this at every meeting and I have been assured it is on County's agenda for this year, they are currently in conversation with processors. As you are aware this is something not in my control, but I am told each district are equally keen to see this waste stream recycled, as our the County Council, it is just a matter of time and priorities for them October 2023 This is an ongoing action which is happening and was happening at the time of the audit. There has been no progress as the decision making sits with the county council and this is not being prioritised by them. December 2023 This is outside of our control and down to county. We can keep raising it, which we will, but its not up to us. Lets keep it open for a few more months and then take a view.	A further update will be obtained in February 2024.
Place	2023-24	Community Infrastructure Levy (CIL) and Section 106	High	14/12/22	31/03/2023	30/06/2023	Director of Communities	Exacom should be nominated the priority system for the administration of S106 agreements and fully utilised. The use of spreadsheets, which can be manually intensive and have a heightened risk of data inaccuracy including a lack of an effective audit trail, should be stopped. Work should be undertaken to identify all operating S106 agreements (both financial and non-financial) and to update the appropriate information into the Exacom system.	Agreed- prior to the cyber incident work had begun to use Exacom for this process. This is the preferred system for managing all of S106 and work is being planned to move to this as the sole system asap.	October 2023 All new agreements and some old agreements are already on Exacom. Those that have been conculded and not put on the system will not be as resource will be focused on open agreements not yet concluded.) February 2024 The Section 151 officer's update to the November 2023 Audit and Governance committee stated: "Exacom is the central system for all 'live' agreements".	Following the completion of the Limited Assurance Follow Up this recommendation remains open and a further update will be requested from management in May 2024 to contiue to monitor progress.
Place	2023-24	Community Infrastructure Levy (CIL) and Section 106	High	14/12/22	31/03/2023	30/06/2023 31/12/2023	Director of Communities	As a minimum, quarterly reconciliations should be completed between Exacom, Uniform and the general ledger to confirm all records agree. The reconciliations should be subject to management review and sign off.	Agreed. The review is incorporating the need for cross team reconciliation and regular overview to ensure effective monitoring of the breadth of S106.	April 2023 The Director of Communities advised Internal Audit on 26th April that the external review of the S106 process has been completed and she is now in the process of creating the action plan off the back of the recommendations. July 2023 Senior Service Area management provided a status update to the recommendations raised by Internal Audit at the 17th July 2023 Audit and Governance Committee. Details are as follows: Now that the finance system is back up and running, we will look at opportunities to link to Exacom - Completion date September - December 2023. October 2023 Once all the information is on Exacom, reconciliations will be possible. This connot happen until the Exacom work is completed. February 2024 The Section 151 Officer's update to the November 2023 Audit and Governance committee: "Exacom and the Finance system will be regularly reconciled. All new agreements will be uploaded to Exacom as soon as agreements are made for monitoring and reporting purposes".	Following the completion of the Limited Assurance Follow Up this recommendation remains open and a further update will be requested from management in May 2024 to contiue to monitor progress.
Place	2023-24	Community Infrastructure Levy (CIL) and Section 106	High	14/12/22	31/03/2023	30/06/2023 31/12/2023	Director of Communities	Once the planning and document management systems have been successfully restored, management should provide Internal Audit with details of the developer contributions calculations and figures (including the monitoring fee). Documentary evidence of management review and approval should also be provided.	This will be considered as part of the review and stored and managed via Exacom.	April 2023 The Director of Communities advised Internal Audit on 26th April that the external review of the S106 process has been completed and she is now in the process of creating the action plan off the back of the recommendations. July 2023 Senior Service Area management provided a status update to the Internal Audit recommendations to the 17th July 2023 Audit and Governance Committee. Details are as follows: Agreed, and this information will be included in reporting to SMT and Committee - Completion date December 2023. February 2024 The Section 151 officer's update to the November 2023 Audit and Governance committee: "This work has now been completed by Officers, all agreements are accessible, and a policy is in creation to ensure all charges are clear and in the Fees and	Following the completion of the Limited Assurance Follow Up this is partially implemented and remains open. A further update will be requested from management in May 2024 to continue to monitor progress.
Place	2023-24	Community Infrastructure Levy (CIL) and Section 106	High	14/12/22	31/03/2023	30/06/2023 31/12/2023	Director of Communities	Management should at least quarterly obtain summary information of the status and position of all operating S106 agreements to confirm effective monitoring and that developer obligations are being fulfilled. In addition, a review of developer contributions spend should be undertaken to confirm deadlines are being met, there are no overspends and, where appropriate, developer money is returned. Consideration should be given to providing the Planning Committee with a half yearly report of the status of all S106 agreements.	Managing funds consistently through Exacom as the central system will support these improvements and reduce the risk of contributions not being paid.	April 2023 The Director of Communities advised Internal Audit on 26th April that the external review of the S106 process has been completed and she is now in the process of creating the action plan off the back of the recommendations. July 2023 Senior Service Area management provided a status update to the Internal Audit recommendations at the 17th July 2023 Audit and Governance Committee. Details are as follows: A S106 report template will be developed which will include current and outstanding S106 agreements and funds to ensure that deadlines are being met, there are no overspends and that underspends are identified quickly - Completion date September 2023. The Senior Management Team will receive and discuss quarterly S106 reports - Completion date October 2023. The Head of Place will prepare 6 monthly reports to the Planning Committee initially. This may then become annual in line with other reporting - Completion date December 2023. October 2023 Once all the information is on Exacom, reports will be shared with SMT on a regular basis. The review of developer contributions where there have been questions raised, is nearly complete. February 2024 The Section 151 Officer's update to the November 2023 Audit and Governance committee stated: i The finance summary report to committee highlights all funds reviewed as part of the audit were committed or spent within the specified timescales. ii All of the mentioned 'overspent' budgets were covered by S106 funding available at that time which were able to be used across the whole City, so none of the budgets were overspent. However, the council sometimes wishes to develop an area beyond the minimum scope of the S106 agreement and will look at using other funds, including its own, to deliver these improvements for residents. iii Officer follow ups will be able to be recorded on Exacom for monitoring purposes. iv The unpaid contributions detailed are subject to Council recovery process. v The £85k for affordable homes are available to the Council to spend until at least 2026 and the Council expects to fully spend these funds.	Following the completion of the Limited Assurance Follow Up this recommendation remains open. A further update will be requested from management in May 2024 to continue to monitor progress.

Directorate	Year	Audit	Rating	Date Final Report Issued	Target Implementation Date	Revised Implementation Date	Action Owner	Recommendation	Management Reponse	Management Updates	ARA Comments
Place	2023-24	Community Infrastructure Levy (CIL) and Section 106	Medium	14/12/22	31/03/2023		Director of Communities	The Council should update the Land Charges register to reflect the discharge of a developer's obligations following agreement from management that they have successfully completed the requirements of the S106 agreement. This should then be maintained going forward and as a minimum, a quarterly reconciliation should be undertaken between the two systems to confirm agreement.	Exacom will support this process and it will be considered as part of the review of the role of the Officer.	October 2023 Waiting for all data to be updated to Exacom. February 2024 Section 151 officer's update to the November Audit and Governance committee: "The land charges work will commence now that Exacom is the central system".	Following the completion of the Limited Assurance Follow Up this remains open. A further update will be requested from management in May 2024 to continue to monitor progress.
Place	2023-24	Community Infrastructure Levy (CIL) and Section 106	Medium	14/12/22	28/02/2023		Director of Communities	Monitoring fees and design and management fees (if proven to be applied) should be recorded on the Council's Fees and Charges schedule and subject to annual review and approval by Members.	Monitoring Fees will be added to the Fees and Charges book. 2023-24 Council Approval Feb 2023.	October 2023 These charges will be set as part of the policy which is being developed. February 2024 The Section 151 Officer's update to the November 2023 Audit and Governance committee stated: "Fees and charges will be clearly set out in our Fees and Charges Book 2024/25".	Following the completion of the Limited Assurance Follow Up this remains open. A further update will be requested from management in May 2024 to continue to monitor progress.
Communities	2023-24	Housing Strategy	High	06/06/23	03/05/2023	30/09/2023	Director of Communities	Formally document the linkage between the actions and outcomes against the four key performance measures in the HH&RS Strategy and to those in the Housing Service Plan.	This is a 5-year high level strategy which was developed with a wide range of partners, some of whom deliver the activity detailed. The outcomes and actions are mainly qualitative, with the more detailed activity being shown in service plans, personal performance plans and measured via a range of indicators on Pentana. We do not agree that there is no golden thread as the strategy was specifically designed to ensure it was a meaningful document which would be delivered on. When preparing the next report for Cabinet, Officers will ensure it is clear how activity links to the strategy and will also consider this in planning for the new strategy for 2025.	July 2023 Response back from Housing Innovation Manager. As set out in the management comments we intend to include this action in our next report for Cabinet which I don't believe has been programmed as yet. October 2023 The next cabinet report is due around April 2024 and the new strategy is due by April 2026.	A further update will be obtained in April 2024 following the revised implementation date.
Council Wide	2023-24	Procurement	High	21/06/23	31/07/2023	31/12/2023	Head of Finance & Resources	Procurement training should be recommenced and provided to all authorised officers and new starters as part of their mandatory induction training. Contract management and procurement guidance should then form part of the Council's mandatory programme of regular officer training.	Agree – procurement training will be reinstated asap	February 2024 The Procurement Officer is working with individuals to help them complete the procurement process, but they haven't done any wider training to date.	A further update will be obtained in May 2024 to assess progress.
Council Wide	2023-24	Procurement	High	21/06/23	31/07/2023	31/10/2023	Head of Finance & Resources	Regular monitoring of expenditure by the Interim Procurement Advisor should be reintroduced to: i.Identify non-compliance with Contract Rules and provide appropriate training or escalate to senior management; ii.Explore opportunities where a composite corporate contract could be established; and iii.Ensure an accurate contracts register is maintained to record all contracts for goods and services with a value that exceeds £5,000. A quarterly review of ProContract procurement activity should be undertaken to confirm that all events are promptly and properly completed and that no events have been deleted. Consideration should be given to providing an annual report to the Audit and Governance Committee of identified procurement issues.	Agree – quarterly reviews to be reintroduced	July 2023 Interim Procurement Advisor has recently resigned. Revised target date agreed between Activity Manager and Head of Finance and Resoures. February 2024 The Head of Finance and Resources confirmed that this recommendation remains on-going.	
Policy and Resources	2023-24	Leavers Process - Off-Boarding	Medium	20/10/23	31/12/2023		HR Business partner	HR should cease sending leaver information relating to GCiC to the Appointments and People Sourcing Team at Gloucestershire County Council. This information should be sent across to the custodians at GCiC to facilitate in their reconciliation of leavers and outstanding ID badges.	Agree – HR Business partner to HR process		An update has been requested from the HR Business Partner and we are awaiting their response.
Transformation and Commissioning	2023-24	Payroll	High	23/11/23	29/02/24		Payroll and Pensions Manager - BSC, Gloucestershire County Council & Head of Transformation and Commissioning	The Payroll and Pensions Manager (BSC) should confirm to the Council at each quarterly liaison committee that user access reviews have been performed. At the same quarterly liaison committees, the Head of Transformation and Commissioning should seek on-going assurance from BSC that the appropriate reviews have been undertaken and have reduced the risks to an acceptable level.	Payroll and Pensions Manager (BSC) - We have given access to Gloucester City Council payroll data to all BSC staff to ensure continuity of the service. BSC will provide a schedule of all SAP users at the quarterly liaison meetings with rationale for access and provide updates of any starters and leavers in the BSC. In addition, BSC will provide in that meeting a list of staff who accessed the Council's payroll data during the quarter with rationale for access. Head of Transformation and Commissioning - Agree. We will monitor the implementation of the actions by BSC at the quarterly liaison meeting.		An update will be requested from management in March 2024 in line with the target implemention date.
Transformation and Commissioning	2023-24	Payroll	High	23/11/23	29/02/24		Payroll and Pensions Manager - BSC, Gloucestershire County Council & Head of Transformation and Commissioning	The Payroll and Pensions Manager (BSC) should ensure that the Council's staff payroll information in SAP is verified independently by another member of staff in the Payroll Team. This includes the modification of sensitive data (for example pay scales), and the files manually uploaded to SAP as part of the Onboarding process. At the quarterly liaison committees, the Head of Transformation and Commissioning should seek on-going assurance from BSC that the appropriate controls have been undertaken and have reduced the risks to an acceptable level.	Payroll and Pensions Manager (BSC) - Current BSC resource does not support one inputter and one verifier on data input. A reconciliation between Successfactor and SAP (possibly on a sample basis) will be performed to confirm that manually uploaded information into SAP is accurate. The results will be reported to City Council at the quarterly liaison committee. Head of Transformation and Commissioning - Agree. We will monitor the implementation of the actions by BSC at the quarterly liaison meeting.		

Directorate	Year	Audit	Rating	Date Final Report Issued	Target Implementation Date	Revised Implementation Date	Action Owner	Recommendation	Management Reponse	Management Updates	ARA Comments
Transformation and Commissioning	2023-24	Payroll	High	23/11/23	31/01/24		Payroll and Pensions Manager - BSC, Gloucestershire County Council	BSC should formalise the authentication procedure to follow when Council staff request bank account details to be changed. This procedure should promote the use of the employee portal (self-service) for Council staff to change their personal details. BSC should then distribute the procedure to the BSC Payroll team in charge of staff details modifications in SAP.	BSC operating procedures for bank changes will be reviewed and updated as necessary to ensure all bank details are processed via ESS and/or confirmed with originator prior to making change.		ARA have requested an update from management and are awaiting a response.
Policy and Resources	2023-24	Agency Staff	Medium	27/11/23	29/02/2024		Head of Transformation and Commissioning	HR Business Partner and Head of Transformation and Commissioning should update the current procedure on the intranet by removing the reference to the neutral vendor (Geometric Results International), as this contract has now expired. Once a new neutral vendor contract has been agreed, this should be communicated to all staff, together with a reminder on how to recruit agency staff.	Agree – The Head of Transformation and Commissioning will update the Agency Staff procedure and upload it onto the intranet (including removing the reference to the old neutral vendor).		An update will be requested from management in March 2024 in line with the target implemention date.
Policy and Resources	2023-24	Agency Staff	Medium	27/11/23	29/02/2024		Head of Transformation and Commissioning	The HR Business Partner and Head of Transformation and Commissioning should send a reminder to hiring staff to use the Vacancy Request Form when requesting engagement of agency staff. A robust process should be introduced to ensure that the VRF is fully completed and approved prior to agency staff being recruited. The delegation of authorities should be reviewed to reflect the current structure (one Director and four Heads of Service).	Agree – The Head of Transformation and Commissioning will update the Vacancy Request Form and remind managers of the process. Procedure to be updated to reflect the current SMT structure.		
Policy and Resources	2023-24	Agency Staff	Medium	27/11/23	31/03/2024		Head of Transformation and Commissioning	SMT should undertake a review of the existing temporary positions to establish whether they are still required. SMT should also receive a report on Agency Staff costs on a regular basis to monitor actuals against budget. An end date should be specified on the VRF. The decision to continue with the temporary position past this date should be agreed with the relevant Heads of Service.	Agree – The Head of Transformation and Commissioning will clarify the roles and responsibilities with regards to Agency Staff monitoring (staffing, costs, agency staff schedule) and ensure that this is reported to SMT on a quarterly basis.		An update will be requested from management in April 2024 in line with the target implemention date.
Policy and Resources	2023-24	IR35 (Off-Payroll Working)	Medium	05/12/23	31/03/24		Financial Services Manager and HR Training Manager	The Council should continue to provide IR35 training sessions on a regular basis to all managers involved in hiring contractors to ensure the roles and responsibilities with regards to IR35 HMRC requirements are understood and acknowledged.	The Financial Services Manager and HR Training Manager will add a refresher training session from our Tax Advisors to the annual training plan and should be included on a bi-annual basis for all within the Gloucester Management Team / Service Manager Forum cohort.		An update will be requested from management in April 2024 in line with the target implemention date.
Policy and Resources	2023-24	IR35 (Off-Payroll Working)	Medium	05/12/23	29/02/24		Head of Transformation and Commissioning	The Council should update the IR35 procedure to add the requirement to perform an assessment for each new contract agreed with a PSC and retain assessments in a in a central file accessible to Finance. In addition, an annual review of the contractual situation with PSC should be conducted to confirm that the initial assessment is still relevant.	Agree. The Head of Transformation & Commissioning will update the Council procedure to reflect this requirement. An annual review of the contractual situation with PSC will be conducted to confirm that the initial assessment is still relevant.		An update will be requested from management in March 2024 in line with the target implemention date.
Policy and Resources	2023-24	IR35 (Off-Payroll Working)	Medium	05/12/23	30/04/24		Head of Transformation and Commissioning	The implementation of an oversight control should be reassessed and considered on a regular basis based on materiality.	Agree. Agency staff costs will be reported to SMT as recommended in the Agency Staff audit report issued in November 2023 (recommendation 3 owned by the Head of Transformation and Commissioning). The Financial Services Manager will identify and review any new PSC costs if material. The Head of Transformation and Commissioning and the Head of Finance will discuss the ownership of IR35 risks at the April 2024 SMT and confirm in which register these should be recorded if not mitigated.		An update will be requested from management in May 2024 in line with the target implemention date.

Gloucester City Council 2023-24 Internal Audit Progress Report - March 2024

Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Quarter	Comments
Completion of 2022-23 Work									
1	2	2	Policy and Resources	Agency Staff	Assurance	Medium	Final Report Issued	Final Report Issued	Final report issued November 2023.
2	2	3	Communities	Housing Strategy	Assurance	High	Final Report Issued	Final Report Issued	Final report issued June 2023.
3	3	3	Council Wide	Procurement	Assurance	High	Final Report Issued	Final Report Issued	Final report issued June 2023.
4	NEW	4	Policy and Resources	Test and Trace Support Payment Scheme	Assurance	High	Final Report Issued	Final Report Issued	Final report issued June 2023
5	NEW	1	Place	Section 31 Biodiversity Net Gain	Assurance	High	Final Report Issued	Final Report Issued	Grant audit. Notification of audit requirement received March 2023.
Work Planned for 2023-24									
6	1	N/A	Communities	High Street Heritage Action Zone	Assurance	Medium	Replaced by UK Shared Prosperity Fund audit		This audit was completed in 2022. It has been replaced by the UK Shared Prosperity Fund audit (added below) as agreed with management.
7	NEW	2	Place	UK Shared Prosperity Fund	Assurance	High	Draft Report Issued	Field Work Completed	Update February 2024: The draft report was issued to management in January 2024.
8	NEW	2	ICT	Patch Management	Assurance	High	Final Report Issued	Final Report Issued	Final report issued December 2023.
9	4	2	Council Wide	Leavers Processes (Off-Boarding)	Assurance	Medium	Final Report Issued	Final Report Issued	Final report issued October 2023.
10	4	2	Policy and Resources	IR35 (Off Payroll Working)	Assurance	Medium	Final Report Issued	Final Report Issued	Final report issued December 2023.
11	3	2	Policy and Resources	Payroll	Assurance	Financial audit	Final Report Issued	Final Report Issued	Final report issued November 2023.
12	NEW	2	Council Wide	Assurance mapping	Consultancy	Medium	Final Report Issued	Final Report Issued	Final report issued September 2023.
13	2	2	Culture	Blackfriars Turnover Certificate	Assurance	Sign-off	Final Report Issued	Final Report Issued	Final report issued December 2023.
14	2	3	Communities	Health and Safety Follow-up	Assurance	High	Final Report Issued	Final Report Issued	This audit has been completed and was reported to Committee in November 2023.
15	2	N/A	Place	City Growth Strategies	Consultancy	Consultancy	Cancelled	Cancelled	Following discussions with management this has been cancelled.
16	2	2	Council Wide	Employee Wellbeing and Retention	Consultancy	Consultancy	Final Report Issued	Draft Report Issued	Final report issued January 2024.
17	NEW	3	ICT	Back-ups	Assurance	High	Field Work Started	Field Work Started	Update February 2024: Field work has commenced in December 2023.
18	NEW	3	Culture	Guildhall Galvanise Project	Assurance	Grant	Final Report Issued	Final Report Issued	This audit has been completed and was reported to Committee in November 2023.
19	NEW	2	Policy and Resources	Free Hospital Trust	Assurance	Sign-off	Final Report Issued	Field Work Completed	Independent examination of the 2022-23 accounts was completed and reported to the Trust Board in January 2024. The Trust will directly commission future independent examinations and the activity will not be part of future Council Internal Audit Plans.
20	3	3	Policy and Resources	Treasury Management	Assurance	Financial audit	Field Work Started	Field Work Started	Update February 2024 Fieldwork is on-going.
21	3	3	Policy and Resources	Housing Benefits & Council Tax Reduction	Assurance	Financial audit	Final Report Issued	Field Work Completed	Final report issued February 2024.
22	3	3	Policy and Resources	National Non Domestic Rates (NNDR)	Assurance	Financial audit	Field Work Started	Field Work Started	Update February 2024 Fieldwork is on-going.
23	3	N/A	Place	Planning Performance and Income	Assurance	Medium	Deferred to 2024-25	Deferred to 2024-25	Following discussions with management this has been deferred to 2024-25.
24	3	N/A	Place	First Homes	Assurance	Medium	Deferred to 2024-25	Deferred to 2024-25	Following discussions with management this has been deferred to 2024-25.
25	NEW	3	Policy and Resources	Facilities Management	Assurance	High	Draft Report Issued	Field Work Started	Update February 2024 The draft report was issued to management in February 2024.
26	3	4	Communities	Homeless Pathway	Assurance	Medium	Field Work Started	Planned	Update February 2024 Fieldwork has commenced.
27	3	N/A	Culture	Culture Grants (Guildhall and Museum)	Assurance	Medium	Planned	Planned	This audit has been moved from Q2 to Q3 as agreed with Management.
28	3	N/A	Culture	Statues and Monuments	Consultancy	Consultancy	Deferred to 2024-25	Planned	Update February 2024 Following discussions with management this has been deferred to 2024-25.
29	3	3	Policy and Resources	Sickness Absence	Assurance	Medium	Field Work Started	Field Work Started	Update February 2024 Field work is on-going.

Gloucester City Council 2023-24 Internal Audit Progress Report - March 2024

Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Quarter	Comments
30	NEW	4	ICT	Third Party Hosting	Assurance	High	Deferred to 2024-25	Planned	Update February 2024 Following management request this audit has been deferred to 2024-25.
31	4	3	Communities	Section 106 Agreements - Follow Up	Assurance	Follow-up	Final Report Issued	Field Work Started	Final report issued February 2024.
32	4	4	Policy and Resources	Creditors	Assurance	Financial audit	Field Work Started	Planned	Update February 2024: The Terms of Reference has been issued in February 2024.
33	4	N/A	Policy and Resources	Debtors	Assurance	Financial audit	Deferred to 2024-25	Planned	Update February 2024: This audit has been deferred to 2024-25 and is to be incorproated into the planned debt recovery audit.
34	4	N/A	Policy and Resources	Main Accounting Systems, Budgetary Control and Bank Reconciliations	Assurance	Financial audit	Deferred to 2024-25	Planned	Update February 2024 Following discussions with management this has been deferred to 2024-25.
35	4	N/A	Climate	Climate and Carbon Reduction	Assurance	High	Deferred to 2024-25	Deferred to 2024-25	This audit has been deferred at the request of management to 2024-25 as the new climate strategy is planned to be in place by the end of Q4.
36	4	N/A	Council Wide	Contract Management	Assurance	High	Planned	Planned	Update February 2024: This audit has been moved from Q2 to Q4 at Management's request. Initial engagement with management is underway.
37	4	N/A	Culture	Cultural Recovery Fund	Assurance	Medium	N/A	Replaced by Risk Management audit follow-up	3 audits were completed in 21/22 for the Cultural recovery fund (covering the 3 rounds). The fund is now closed. The audit has been replaced by the Risk management follow-up audit (added below) as agreed with management.
38	NEW	4	Council Wide	Risk Management audit - Follow-up	Assurance	High	Field Work Started	Planned	Update February 2024: Field work comenced February 2024.
39	4	N/A	Policy and Resources	Asset Management Strategy	Assurance	High	Deferred to 2024-25	Deferred to 2024-25	This has been replaced by Facilities Management (above) following a request from management.
40	NEW	N/A	ICT	Tiering of Administrator Accounts	Assurance	High	Field Work Started	Planned	Update February 2024: The Terms of Reference was issued in January 2024 and fieldwork is on-going.
41	4	N/A	Policy and Resources	Fixed Assets & Capital Accounting	Assurance	High	Deferred to 2024-25	Planned	Update February 2024 Following discussions with management this has been deferred to 2024-25.
42	4	N/A	Culture	Tourism Strategy	Consultancy	Consultancy	Deferred to 2024-25	Deferred to 2024-25	This audit has been deferred at the request of management to 2024/25 as the new tourism strategy is being developed.
43	4	N/A	Communities	Home Improvement Agency	Consultancy	Consultancy	Replaced by ICT audits		The 12 days allocated to this consultancy piece of work will be transferred to ICT assurance assignments.
Work Planned for Throughout 2023-24									
44	2	3	ICT	ICT Audits	Assurance	High	Field Work Started	Field Work Started	The Information Governance Board (IGB) has requested ARA advice on draft ICT policies. This work is in progress.
45			Council Wide	ICT Audits	Assurance	High	On-going	Ongoing	To be completed across 2023-24. 4 ICT audits will be delivered: - Patch management - Back-ups - Tiering of Administrator Accounts - Third Party hosting This will replace the change management and ICT Benefits realisation as agreed with management. These 4 ICT audits represent 32 days versus 20 days budgeted in 23/24 for ICT audits. It is agreed to deliver those 4 ICT assurance work and remove the 12 days for the consultancy piece of work on "Home improvement agency" initially planned.
46			Counter Fraud	Counter Fraud	Assurance	High	On-going	Ongoing	Counter Fraud activity progresses throughout the year and is reported at each Committee.

Gloucester City Council 2023-24 Internal Audit Progress Report - March 2024

Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Quarter	Comments
47			Risk Management	Risk Management Support	Assurance		On-going	Ongoing	Advise on the improvements to risk management including but not limited to the Strategic Risk Register, Risk Management Strategy, Risk Appetite and assurance mapping to identify the key sources of assurance. Assurance mapping has been reported.
48	1	N/A	ICT	ICT Cyber Incident Support	Assurance	High	On-going	Ongoing	Support from ARA on this area is available and accessible. Area discussed at each ARA and Section 151 Officer monthly meeting. Draw down not required as at June 2023.

Key	(green)	The audit has started or will start on time.	TBC	To be confirmed.
	(amber)	The audit commencement has been or is likely to be delayed.	N/A	Not applicable.
	(red)	The audit is not likely to be undertaken in this financial year.		

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Gloucester City Council

Meeting:	**Audit and Governance Committee**	**Date:**	**4th March 2024**
Subject:	**Draft Internal Audit Plan 2024-25**		
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: **piyush.fatania@gloucestershire.gov.uk**	**Tel:**	**01452 328883**
Appendices:	**A: Draft Internal Audit Plan 2024-25**		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To provide the Committee with a summary of the draft risk based Internal Audit Plan 2024-25, as required by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS) 2017.

2.0 Recommendations

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

i. Agree that the Internal Audit Plan for 2024-25 reflects the risk profile of the Council; and
ii. Approve the Internal Audit Plan 2024-25 as detailed in Appendix A.

3.0 Background and Key Issues

3.1 All councils must make proper provision for Internal Audit in line with the Account and Audit Regulations 2015 (the Regulations). The Regulations provide that a relevant council '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'. Completion of annual internal audits based on the risk profile of a council also supports the Section 151 Officer's duty to ensure proper administration of a council's financial affairs.

3.2 The guidance accompanying the Regulations recognises the PSIAS 2017 (the Standards) as representing 'proper Internal Audit practices'. The Standards define the way in which the Internal Audit service should be established and undertake its operations. These Standards require the Head of ARA to produce an annual risk based Internal Audit Plan to determine the priorities of the Internal Audit activity.

3.3 The proposed activity should be consistent with the Council's priorities and objectives, considering the risk management framework, risk appetite levels set by management and Internal Audit's own judgement of risks.

3.4 To ensure Internal Audit resources continue to be focused appropriately, particularly during periods of organisational change, it is essential that we understand the Council's needs. This required building relationships with key stakeholders, including other assurance and challenge providers, to gain crucial insight and on-going understanding of the strategic and operational change agendas within the Council.

3.5 This insight is not only identified at the initial development stages of the risk based Internal Audit Plan. Dialogue continues throughout the financial year(s) and increased the ability for the Internal Audit service to adapt more closely to meet the assurance needs of the Council, particularly during periods of significant change. Our Plan is therefore dynamic and flexible to meet these needs.

3.6 To ensure that an effective Plan is developed and alongside Internal Audit's own assessment of risk, a consultation process took place with Corporate Directors, Heads of Service and Service Managers to establish priorities and assurance requirements. Any Audit and Governance Committee and wider Members audit requests from 2023-24 were also considered as part of the consultation approach. The proposed activity from all sources were collated and matched against Internal Audits resource availability and prioritised accordingly.

3.7 By continuing to apply risk based Internal Audit planning principles, this level of input is considered acceptable to provide the Internal Audit assurance requirements of the Council. The Head of ARA will continue to reassess Internal Audit resource requirements against the Council's priorities and risks and will amend the Plan throughout the year as required. Any key changes to the Plan will be reported to the Audit and Governance Committee.

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 a risk based Internal Audit Plan is required by the PSIAS.

7.0 Reasons for Recommendations

7.1 A requirement of the PSIAS is for the Head of ARA to produce an annual risk based Internal Audit Plan and for this Plan to be approved by the appropriate body. In the case of the Council, the appropriate body is the Audit and Governance Committee.

8.0 Future Work and Conclusions

8.1 Regular reports on progress against the risk based Internal Audit Plan and any significant control issues identified will be presented to the Audit and Governance

Committee. These will be captured within the Audit and Governance Committee work programme for 2024-25.

9.0 Financial Implications

9.1 There are no direct financial implications as a result of the recommendations made in this report. Internal Audit forms part of the Council's governance arrangements.

Financial Services have been consulted in the preparation this report.

10.0 Legal Implications

10.1 As set out in this report, the risk based Internal Audit plan assists the Council to discharge its statutory responsibilities under Regulation 5 of the Accounts and Audit Regulations 205 and significant aspects of the Section 151 Officer's duties. There are no specific legal implications arising from this report.

The Monitoring Officer has been consulted in the preparation this report.

11.0 Risk and Opportunity Management Implications

11.1 Failure to deliver an effective risk based Internal Audit Plan will impact on the statutory requirement to provide the Council with an annual independent Internal Audit opinion on the effectiveness of the Council's control environment comprising of risk management, control and governance.

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 A PIA is 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.

Background Documents:

Accounts and Audit Regulations 2015
PSIAS
CIPFA Local Government Application Note for the UK PSIAS

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Gloucester City Draft Internal Audit Plan 2024-25

Ref.	Indicative Quarter	Entity	Audit	Audit Type	Risk Score	Indicative Scope	Risk Register Ref
Throughout 2024-25							
1	Thoughout 2024-25	Support	Audit Management and Planning	Mandatory	N/A	Audit management and planning, attendance at Committee, Board meetings.	N/A
2	Thoughout 2024-25	Support	Recommendation Monitoring	Mandatory	N/A	This allocation enables Internal Audit to monitor manangement's progress with the implementation of Internal Audit recommendations.	N/A
3	Thoughout 2024-25	Contigency	Contingency - Assurance Work	Mandatory	N/A	Contingency to allow for the flexibility of emerging risks and due to uncertainty in time required for some audits. Contingency established to be allocated to audits that merit further allocation of time.	N/A
4	Thoughout 2024-25	Support	Data Analytics Support	Assurance	N/A	Time allocation to allow for data analytical support to be provided for internal audit and counter fraud activity throughout the year	N/A
5	Thoughout 2024-25	Council Wide	Counter Fraud	Assurance	N/A	Counter Fraud activity progresses throughout the year and is reported at each Committee.	SRR 1.6
6	Thoughout 2024-25	Support	Development and implementation of new ARA Audit Management System	Project	N/A	To ensure ARA remain and efficient and effective service a new audit management system is required to be implemented in 2024/25. The existing systems licence is due to expire in 2025. Time allocation established to allow for system development and implementation.	N/A
7	Thoughout 2024-25	Risk Management	Risk Management Support	Support	N/A	On-going support for the continued development of the risk management arrangements and assurance mapping.	N/A
8	Thoughout 2024-25	Support	Annual Governance Statement	Support	N/A	To provide support in the preparation of the annual governance statement	N/A
Completion of 2023-24 Audits							
9	1	Council Wide	Contract Management	Assurance	High	Completion of 2023-24 audit.	
10	1	Culture	Culture Grants (Guildhall and Museum)	Assurance	Medium	Completion of 2023-24 audit.	
11	1	Transformation	Tiering of Administration Accounts	Assurance	High	Completion of 2023-24 audit.	
2024-25 Audits							
12	1	Finance	Blackfriars Priory Turnover Certification	Sign-off	N/A	Assess whether the turnover values stated to English Heritage are in accordance with and supported by documents and records held by the Council.	N/A
13	1	Transformation	Third Party Hosting	Assurance	High	To assess veracity of internal controls in this area.	SRR 1.10
14	1	Policy & Resources	Fixed Assets and Capital Accounting	Assurance	High	To assess veracity of internal controls in this area.	SRR 1.1 & 1.6
15	1	Communities	Licensing and Food & Safety	Assurance	High	There are three different Teams that manages the following licences; - Scrap metal, gambling, Lotteries, animal - Caravan site, MHO - Taxis, private hire and premises licences There are high inherent risks associated with licences, from fraud to financial risk. Due to the cyber incident and the lack of available data, licence fee arrears have increased. The audit will review arragements in place to manage these inherent risks as well as comparing the processes in place across the Teams to assess effectiveness.	SRR 1.9
16	1	Place	Community Infrastructure Levy (CIL)	Assurance	Medium	Assess the arrangements in place for CIL as this was outscoped during last years Section 106 audit.	SRR 1.4
17	1	Finance	Debt Recovery	Assurance	Medium	Debt recovery recovery was paused following the cyber incident and has recently comenced, but with a significant backlog. The audit will also include debtor activities to assess the veracity of control in this area.	SRR 1.6
18	2	Place	Major Projects (Greyfriars)	Consultancy	High	A consultancy review to assess the governance arrangements and progress in delivering the Greyfriars project for which £11m has been awarded, with a total budget of £14m	SRR 1.7
19	2	Culture	Ticketing Systems	Assurance	Medium	To assess veracity of internal controls in this area considering the GDPR and financial risks involved. A project is on-going to merge all the systems into one.	SRR 1.6 & 1.8
20	2	Culture	Visitor Experience (Guildhall)	Assurance	High	To assess the veracity of controls in this area relating to the effectiveness of the Team in delivering events as planned. The service has not been audited in recent years and is inherently exposed to several risks.	SRR 1.6
21	2	Place	Planning & Performance	Assurance	Medium	To assess the arrangements in place in respect of accepting, validating, publicising and determining planning applications. The Council's activities in monitoring and securing effective performance shall also be reviewed.	SRR 1.3
22	2	Culture	Cultural Development Grants	Assurance	Medium	To review the veracity of controls relating to the following grant allocations; - New Project and Communication Fund - Festival and Event Fund	SRR 1.6
23	2	Culture	Statues and Monuments	Consultancy	High	Consultancy on the Statues and Monuments. Previously deferred at management's request.	SRR 1.5

Gloucester City Draft Internal Audit Plan 2024-25							
Ref.	**Indicative Quarter**	**Entity**	**Audit**	**Audit Type**	**Risk Score**	**Indicative Scope**	**Risk Register Ref**
24	2	Communities	Waste & Street Cleaning	Assurance	High	To assess the veracity of controls in place by the Team that manages the service provided by Ubico, which involves contract management risks.	SRR 1.4
25	2	Transformation	Instant Response Procedure	Assurance	Medium	To assess the effectiveness of the ICT Team in responding and triaging an IT incident to support the continuity of operations. This is a key area following the cyber incident.	SRR 1.8
26	2	Transformation	Change Management	Assurance	Medium	A change management audit will complete the Patch Management audit performed in 2023-24 to assess the adequacy and effectiveness of the controls in place.	SRR 1.8
27	2	Finance	Bank Reconciliations	Assurance	Medium	To assess veracity of controls in place following the cyber incident in 2021.	SRR 1.1
28	2	Transformation	Cyber Incident Response	Assurance	High	To review the arrangements in place in implementing the Cyber Incident Response strategy to ensure the Council is prepared to face future cyber attacks or other disasters. This follows the Patch Management audit completed in December 2023.	SRR 1.8
29	3	Policy & Resources	Freedom of Information (FOI)	Assurance	Medium	To assess the veracity of controls in this area due to the number of requests significantly increasing in this area.	SRR 1.2 & 1.8
30	3	CEO	Business Continuity Plans	Assurance	High	To assess the veracity of controls in this area as ARA have previously raised findings on the lack of Business Impact Assessments (BIA's) and also considering the cyber incident in 2021.	SRR 1.9
31	3	Finance	Investment Management	Assurance	High	To assess the veracity of controls in this area considering the investment strategy that is due to be renewed.	SRR 1.14
32	3	Finance	Procurement Cards	Assurance	Medium	To assess the veracity of controls in this area due to possible fraud and reputational risks.	SRR 1.6
33	3	CEO	Climate Change Strategy	Assurance	High	SMT requested deferal to 2024-25 due to a new Climate strategy being developed in 2023. To assess the governance arrangements and the progress towards delivering the Council's commitment in this area.	SRR 1.9
34	3	Culture	Leisure Activities	Assurance	High	To assess the veracity of controls in this area following the appointment of a new interim provider and the planned procurement exercise for a new contract.	SRR 1.5
35	3	Communities	Housing Support Fund & Community Fund Grant	Assurance	Medium	To review the veracity of controls relating to these funds.	SRR 1.9
36	3	Finance	Revenue and Benefits - Support and Service Development	Assurance	Medium	To review the veracity of the control in respect of the payment activities of the service.	SRR 1.6
37	3	Communities	First Homes	Assurance	Medium	Deferred from 2023-24 following management request. First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of ‘affordable housing’ for planning purposes.	SRR 1.9
38	4	Communities	Grounds Maintenance Unit	Assurance	Medium	To review the veracity of controls in this area. This Team covers several activities including tree management, which has had an increased number of insurance claims and as a consequence the budget has also increased.	SRR 1.9
39	4	Finance	Main Accounting Systems	Assurance	Medium	To assess the veracity of controls in this area following the system now being in-house.	SRR 1.1
40	4	Finance	Budgetary Control	Assurance	Medium	To assess the veracity of controls in this area following the cyber incident in 2021.	SRR 1.1
41	4	Finance	Asset Management	Assurance	High	To assess the veracity of controls in relation to valuation reviews and associated financial risks.	SRR 1.14
42	4	Transformation	Customer Services	Assurance	Medium	To assess the veracity of controls in this area due to the direct contact with customers and also due to changes in reporting lines.	SRR 1.3
43	4	CEO	Income Generation	Consultancy	Medium	Consultancy review on income generation opportunities across key services.	SRR 1.1 & 1.11
44	4	CEO	Conflict of Interest Management	Assurance	High	Conflict of Interests is reviewed as part of each audit, however this audit is proposed to review the controls at a corporate level to ensure there are effective governance arrangements in place.	SRR 1.3
45	4	Policy & Resources	Democratic and Electoral Services	Assurance	Medium	To assess the veracity of controls in place due to the upcoming elections in 2024 (local and general) with increased financial and reputational risks.	SRR 1.2 & 1.3
46	4	Communities	Asylum Seekers	Assurance	High	To assess the veracity of controls in place as Gloucester has the greatest proportion of resettlement across the South West.	SRR 1.9

Gloucester City Council

Meeting:	**Audit & Governance Committee** **Cabinet** **Council**	**Date:**	**4 March 2024** **6 March 2024** **21 March 2024**
Subject:	**Capital Strategy 2024/25**		
Report Of:	**Cabinet Member for Performance and Resources**		
Wards Affected:	**All**		
Key Decision:	**No** **Budget/Policy Framework:**		**Yes**
Contact Officer:	**Richard Wintour, Accountancy Manager**		
	Email: Richard.wintour@gloucester.gov.uk	**Tel: 396439**	
Appendices:	**1. Capital Strategy 2024/25**		

1.0 Purpose of Report

1.1 To formally recommend that Council approves the attached Capital Strategy.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RECOMMEND** that the Capital Strategy be approved.

2.2 Council is asked to **RESOLVE** that:

(1) The Capital Strategy at Appendix 1 be approved;

3.0 Background and Key Issues

3.1 The Capital Strategy focuses on core principles that underpin the Council's five year capital programme, providing a position statement of progress (capital expenditure) and the resources available (funding). The Strategy projects the Capital programme while setting out how the programme will be achieved focusing on key issues and risks that will impact on the delivery of the Capital strategy and the governance framework required to ensure the Strategy is delivered.

3.2 The Strategy maintains a strong and current link to the Council's priorities and to its key strategy documents, notably the Treasury Management Strategy, Asset Management Strategy, Property Investment Strategy, Medium Term Financial Plan and the Corporate Plan.

4.0 Alternative Options Considered

4.1 The Capital Strategy is a requirement of the CIPFA Prudential Code, no alternatives considered as this is a code requirement.

5.0 Reasons for Recommendations

5.1 Capital Strategy is a requirement of the CIPFA Prudential Code.

6.0 Future Work and Conclusions

6.1 The Capital Strategy will be monitored and reviewed annually.

7.0 Financial Implications

7.1 There are no direct financial implications arising from this report. The Capital Strategy provides a position statement with regards to capital expenditure and the resources available in terms of funding.

8.0 Social Value Considerations

8.1 This report notes the Capital Strategy of the Council. This is a requirement of the CIPFA Prudential Code – ESG requirements are included within the Code.

9.0 Legal Implications

9.1 The Council is required to have a Capital Strategy to meet the requirements of the Local Government Act 2003, Localism Act 2011, Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, the CIPFA Prudential Code, DLUHC Minimum Revenue Provision Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

10.0 Risk & Opportunity Management Implications

10.1 The Council must have reviewed its Capital Strategy by 31st March 2024.

11.0 People Impact Assessment (PIA):

11.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

12.0 Other Corporate Implications

Community Safety

12.1 None

Sustainability

12.2 None

Staffing & Trade Union

12.3 None

Background Documents: Local Government Act 2003
CIPFA Treasury Management Code
CIPFA Prudential Code
DLUHC MRP Guidance

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Introduction

This capital strategy sets out how Gloucester City Council intend to spend capital to provide services and meet the strategic aims in the Council plan. This strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members', residents and other stakeholders understanding of these areas.

Background

The Capital Strategy demonstrates that the authority takes capital investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy also sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. Decisions around capital expenditure, investment and borrowing should align with the processes established for the setting and revising of the budget for the local authority.

The Capital Strategy should also be tailored to the authority's individual circumstances and should include capital expenditure, investments and liabilities and treasury management. For Gloucester, the Treasury Management Strategy drawn up in line with the Treasury Management Code will continue to be published as a separate document and this will remain separate to differentiate between the demand and assessment of capital expenditure and the management of the investment and borrowing portfolio.

CIPFA published the revised codes on Treasury Management and Prudential Code on 20th December 2021. Formal adoption is required from 2023/24 Financial Year. Both the Capital Strategy and Treasury Management Strategy are produced in accordance with the Prudential Code.

Policy Context

The Council plan 22-24 defines the Council's vision:

"Building a greener, fairer, better Gloucester"

The priorities to support this vision are:

1. Building greener, healthier, and more inclusive communities
2. Building a sustainable city of diverse culture and opportunity
3. Building a socially responsible and empowering council

The vision and priorities are underpinned by our core values.

For full details of the Council Plan see: **Council Plan**

The Capital Strategy is an important policy document in delivering the Council's Vision in terms of maintaining and extending the Council's asset base but needs to take a longer-term view to reflect the life cycle of capital assets. The life cycle of capital assets, often known as non-current assets, will range between 5-60 years or even longer if land is acquired. Decisions made now will affect residents, business and other stakeholders for many years to come.

Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £6,000 are not capitalised and are charged to revenue in year.

- For details of the Council's policy on capitalisation, see: Statement of Accounts 2021/22 page 21, Accounting Policies point 19 - Statement of Accounts

In 2024/25, the Council is planning capital expenditure of £36.272 as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
General Fund services	30.118	45.894	36.272	33.607	6.182
TOTAL	30.118	45.894	36.272	33.607	6.182

The capital programme includes a variety of projects from large regeneration to smaller individual projects, the main capital projects are detailed below:

Kings Quarter – The Forum continues to progress; Council approved the project in January 2021. The project will see significant investment by the Council in both the physical, economic, and cultural redevelopment of this part of the city. The plans include retail, office, hotel and residential areas which will see this part of the City completely redeveloped. The required council investment will be £107m and will be a long-term investment of up to 50 years. Significant due diligence has been undertaken with financial, property and legal advisors to confirm the projects long term viability. The Whitefriars apartments were part of phase one of the project and were completed in 2023. All but one the apartments have been sold and residents are now living there.

In 2021 the Council was awarded £20m 'levelling up' funding from DLUHC which will support circa £200m of investment in the City. The funding will be used to deliver the

Forge Digital Innovation and Incubation Centre, providing 2,430 sqm of accommodation and support for high value added SME businesses. It will form part of the wider mixed-use Forum development which will provide a vibrant and active destination in an important gateway adjacent to the City Centre bus station and rail interchange, in the Kings Quarter area.

The fund will also support the redevelopment of the former Debenhams building via the University of Gloucester. The University will create a new City Campus for teaching, learning and community partnerships in the City Centre. The LUF bid will also enable an important public role in the UoG building by creating a drop in Well Being Centre, a new digitally enabled public library and information centre.

The Council continues to upgrade the Kings Walk site. New branding has been installed throughout and exciting new tenants such as 'Putt Putt Noodle' have been revealed as the centre continues to redevelop.

Work with partners is ongoing as part of the wider regeneration plans. Redevelopment of the Railway Station will ultimately see it link to the Transport Hub and City Centre supporting the Kings Quarter regeneration. The redevelop work is ongoing with the project funded via the LEP.

In late 2023 the council secured £11m of Levelling Up Round Three money for the redevelopment of the Greyfriars area of the city centre. This grant funding, supported by council funding, will ensure the redevelopment of the Eastgate Market and surrounding area.

Housing Projects – The Council has set aside £5m to support its temporary accommodation needs. The Council will invest in suitable housing provision which will reduce future demand for private housing provision to meet its statutory responsibilities.

Governance: The Major Projects Steering group and/or the Property Investment Board review significant projects for inclusion within the Council's capital programme. Projects are collated by finance who calculate the financing cost (which can be nil if the project is fully externally financed). The groups appraise all bids based on a comparison of service priorities against financing costs and makes recommendations for the capital programme. The final capital programme is then presented to Cabinet and Council in February each year.

The Major Projects Group oversees ongoing projects to insure successful delivery in accordance with approved plans.

The Property Investment Board is responsible for the investment strategy overseeing the performance of the non-operational and investment portfolio.

The Asset Management Steering Group provides strategic planning and overview of our operational assets.

- For full details of the Council's capital programme see: Money Plan

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
External sources	1.081	0.482	6.355	1.250	2.697
Own resources	0.000	6.676	5.168	4.310	3.385
Debt	29.037	18.056	24.750	28.047	0.100
TOTAL	**30.118**	**38.736**	**36.272**	**33.607**	**6.182**

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Own resources	2.685	2.406	2.407	2.057	2.081

- The Council's full minimum revenue provision statement is available here: Treasury Management Strategy - MRP

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £22.585m during 24/25. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
General Fund services	164.816	201.407	223.992	250.205	248.428
TOTAL CFR	**164.816**	**201.407**	**223.992**	**250.205**	**248.428**

Asset management: To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy which is currently been updated to ensure it remains appropriate to manage our assets. . Gloucester City Council has a diverse estate from ancient monuments to commercial property. The asset management strategy details our approach to managing our diverse assets including our acquisitions and disposals, planned maintenance, governance and performance.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2024/25. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £2.668m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Asset sales	0.000	5.676	2.668	2.310	2.385
Loans repaid	0.000	0.000	0.000	0.000	0.000
TOTAL	**0.000**	**5.676**	**2.668**	**2.310**	**2.385**

- The Council's Flexible Use of Capital Receipts Policy is available here: Flexible Use of Capital Receipts Policy

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Debt (incl. PFI & leases)	153.847	190.438	213.023	239.236	237.459
Capital Financing Requirement	164.816	201.407	223.992	250.205	248.428

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

Authorised limit £m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt	225	245	270	270
Other long term liabilities	35	35	35	35
Total	260	280	305	305
Operational boundary £m	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
Debt	210	230	255	255
Other long term liabilities	30	30	30	30
Total	240	260	285	285

- Further details on borrowing are in pages 11 to 15 of the treasury management strategy Treasury Management Strategy

Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

- Further details on treasury investments are in pages 16 to 21 of the treasury management strategy

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Head of Finance and Resources and staff, who must act in line with the treasury management strategy approved by Council. Half yearly reports on treasury management activity are presented to Audit and Governance Committee which is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

The Council makes investments to assist local public services, including making loans to local service providers, businesses to promote economic growth, the Council's subsidiaries that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to generate a profit after all costs.

Governance: Decisions on service investments are made by the relevant service manager in consultation with the Head of Finance and Resources and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

Liabilities

In addition to debt of £190.438m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £45.689m). It has also set aside £1.6m to cover risks of provisions, this mainly relates to NNDR appeals, where the Council has estimated the costs arising from appeals by ratepayers. The Council did not have any contingent liabilities in 2022/23.

Governance: Decisions on incurring new discretional liabilities are taken by service managers in consultation with head of Finance and Resources. The risk of liabilities crystallising and requiring payment is monitored by finance.

- Further details on provisions (page 50), liabilities and guarantees are on page 65 of the 2021/22 statement of accounts - Statement of Accounts

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Ratio of financing costs to net revenue stream

%	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	23.44%	21.06%	21.19%	19.88%	19.95%

- Further details on the revenue implications of capital expenditure are noted within the 2024/25 revenue budget - Money Plan

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Head of Finance and Resources is satisfied that the proposed capital programme is prudent, affordable and sustainable.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Head of Finance and Resources is a qualified accountant with 20 years' experience, the Financial Services and Accountancy Managers are both qualified accountants with 25 and 10 years' experience. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury) and CIMA.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Link Group as treasury management advisers, the Council employs property consultants on a case by case basis. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Gloucester City Council

Meeting:	**Audit & Governance Committee** **Cabinet** **Council**	**Date:**	**4 March 2024** **6 March 2024** **21 March 2024**
Subject:	**Treasury Management Strategy 2024/25**		
Report Of:	**Cabinet Member for Performance and Resources**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**Yes**
Contact Officer:	**Richard Wintour, Accountancy Manager** **Email:Richard.wintour@gloucester.gov.uk**		 **Tel: 396439**
Appendices:	**1. Treasury Management Strategy 2024/25**		

1.0 Purpose of Report

- To formally recommend that Council approves the attached Treasury Management Strategy, the prudential indicators and note the Treasury activities.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RECOMMEND** that the Treasury Management Strategy be approved.

2.2 Council is asked to **RESOLVE** that:

- The Treasury Management Strategy at Appendix 1 be approved;

- The authorised borrowing limit be approved at:-
  - 2024/25 £280m
  - 2025/26 £305m
  - 2026/27 £305m

- The prudential indicators set out in section two of the strategy be approved.

3.0 Background and Key Issues

3.1 Recent property acquisitions within Gloucester and continued regeneration of the City, has meant that the Councils borrowing requirements have increased. These long term investments and projects will significantly change the treasury position of the Council over the life of the investments, creating investable cashflow streams.

3.2 The 2024/25 Treasury Management Strategy recommends to continue operating within an under-borrowing position. This position reflects that the Council uses internal resources, such as reserves, to fund the borrowing need rather than invest those funds for a return. This strategy is sensible, at this point in time, for two reasons. Firstly, the lost interest on those funds is significantly less than the costs of borrowing money for the capital programme. In addition, using the resources to reduce debt the Council will reduce exposure to investment counterparty risk.

3.3 There will be cash flow balances that will be invested for short periods within the year. Section 4 of the strategy outlines the Annual Investment Strategy - in particular it outlines the creditworthiness policy through the use of credit ratings.

3.4 The borrowing strategy is to utilise investments to reduce short term borrowing. Once investments have been applied it is anticipated that the majority of new debt will be short term as market rates are more attractive than long term borrowing. There will be need for long term borrowing to support the current capital programme, such borrowing will also mitigate the risk presented by having all borrowing on short-term deals.

3.5 The strategy allows flexibility for either debt rescheduling or new long term fixed rate borrowing while allowing the Council to benefit from lower interest rates on temporary borrowing at the current time.

3.6 The strategy also includes the minimum revenue provision (MRP) policy statement. This policy continues with the practice approved last year. MRP is the revenue charge to reduce debt by placing a charge on the General Fund each year. The preferred option is to provide for the borrowing need created over the approximate life of the asset purchased. This is achieved with an annuity calculation which provides a consistent overall annual borrowing charge with the level of principal (MRP) increasing each year, much like a repayment mortgage.

4.0 Alternative Options Considered

4.1 The following option has been considered:

There remains the option to replace existing short term borrowing with longer term options, this is not as attractive due to the availability of short term funding which remains below rates available for longer term funds.

5.0 Reasons for Recommendations

5.1 The Council is required to approve a Treasury Management Strategy before the start of each financial year to meet the requirements of the Local Government Act 2003. The Treasury and Investment Strategies recommended provide the best platform for financing the long-term capital programme and managing daily cash flow whilst protecting Council funds.

6.0 Future Work and Conclusions

6.1 The Treasury Management Strategy provides a logical basis to fund the Council's capital financing requirement and long-term Capital Programme. The Council will continue to monitor the strategy and is prepared to adapt this strategy if there is changes within the markets.

7.0 Financial Implications

7.1 The expenditure and income arising from treasury management activities are included within the Council Money Plan.

8.0 Social Value Considerations

8.1 This report notes the Treasury Strategy of the Council. Environmental Social and Governance requirements are covered within the CIPFA Prudential Code.

9.0 Legal Implications

9.1 The Council is required to approve a Treasury Management Strategy before the start of each financial year to meet the requirements of the Local Government Act 2003, the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities, the CIPFA Treasury Management In the Public Services: Code of Practice and Cross-sectoral Guidance Notes; DLUHC Capital Finance: Guidance on Minimum Revenue Provision.

9.2 The Treasury Management Strategy attached at Appendix 1 meets these legislative and guidance requirements.

10.0 Risk & Opportunity Management Implications

10.1 There is a risk that short term and long term interest rates could increase and this will be monitored both in-house and by the Council Treasury Management Advisor, Link Asset Services. In this event the risk will be managed through the opportunities either to reschedule debt or new long term fixed rate borrowing in place of short term borrowing.

10.2 The risk of deposits not being returned by the counterparty is minimised by only investing short term cash flow monies with counterparties on the approved lending list. All counterparties on this list meet minimum credit rating criteria, ensuring the risk is kept extremely low although not eliminated.

11.0 People Impact Assessment (PIA):

11.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

12.0 Other Corporate Implications

Community Safety

12.1 None

Sustainability

12.2 None

Staffing & Trade Union

12.3 None

Background Documents: Local Government Act 2003
CIPFA Treasury Management Code
CIPFA Prudential Code
DLUHC MRP Guidance

Appendix 1

Treasury Management Strategy 2024/25

1. Introduction

2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework

CIPFA published the revised Codes on 20th December 2021 and stated that revisions need to be included in the reporting framework from the 2023/24 financial year. The Council, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

The revised Treasury Management Code required all investments and investment income to be attributed to one of the following three purposes: -

Treasury management
Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery
Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return
Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

The revised Treasury Management Code requires an authority to implement the following: -

- **Adopt a liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
- **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;
- **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;
- Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;

- **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring;

- **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

The main requirements of the Prudential Code relating to service and commercial investments are: -

- The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
- An authority must not borrow to invest for the primary purpose of commercial return;
- It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
- An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
- A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
- Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

An authority's Capital Strategy or Annual Investment Strategy should include: -

- The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;

- An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e., whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);

- Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;

- Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);

- Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);

- State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

As this TMSS and AIS deals solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.

However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).

1.1 Background

The Authority is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and covers:

1. the capital plans (including prudential indicators);
2. a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
3. the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
4. an annual investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken at Gloucester by the Audit and Governance Committee.

Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by the Audit and Governance Committee.

1.3 Treasury Management Strategy for 2024/25

The strategy for 2024/25 covers two main areas:

Capital issues

1. the capital plans and the associated prudential indicators;
2. the minimum revenue provision (MRP) policy.

Treasury management issues

1. the current treasury position;
2. treasury indicators which limit the treasury risk and activities of the Council;
3. prospects for interest rates;
4. the borrowing strategy;
5. policy on borrowing in advance of need;
6. debt rescheduling;
7. the investment strategy;
8. creditworthiness policy; and
9. the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the CIPFA Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

Finance training for members, including Treasury Management, featured in the member development programme during 2023/24 and further training will be arranged as required
The training needs of Treasury Management officers are periodically reviewed and staff have attended training and seminars during 2023/24 and will continue to do so in the upcoming year.

1.5 Treasury management consultants

The Council uses Link Group, Link Treasury Services Limited as its external treasu ry management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

The scope of investments within the Council’s operations now includes both conventional treasury investments, (the placing of residual cash from the Council’s functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, and the Council uses such advisors on a case by case basis in relation to this activity.

2 THE CAPITAL PRUDENTIAL INDICATORS 2024/25 – 2026/27

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts.

Capital expenditure £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Policy & Resources	**0.810**	**1.179**	**4.550**	**4.800**	**1.175**
Place	**26.365**	**42.216**	**23.200**	**25.200**	**1.400**
Communities	**2.685**	**1.654**	**6.972**	**1.557**	**1.557**
Tech and Corp	**0.258**	**0.758**	**0.050**	**0.050**	**0.050**
Culture & Trading	**0.000**	**0.087**	**1.500**	**2.000**	**2.000**
Total	**30.118**	**45.894**	**36.272**	**33.607**	**6.182**

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a borrowing need.

Financing of capital expenditure £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital receipts	0.000	5.676	2.668	2.310	2.385
Capital grants	1.081	0.482	6.355	1.250	2.697
Capital Reserves	0.000	0.000	0.000	0.000	0.000
Revenue	0.000	1.000	2.500	2.000	1.000
Net financing need for the year	**29.037**	**38.736**	**24.750**	**28.047**	**0.100**

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes.

The Council is asked to approve the CFR projections below:

£m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital Financing Requirement:-					
Total CFR	164.816	201.407	223.992	250.205	248.428
Movement in CFR	26.631	36.591	22.585	26.213	(1.777)

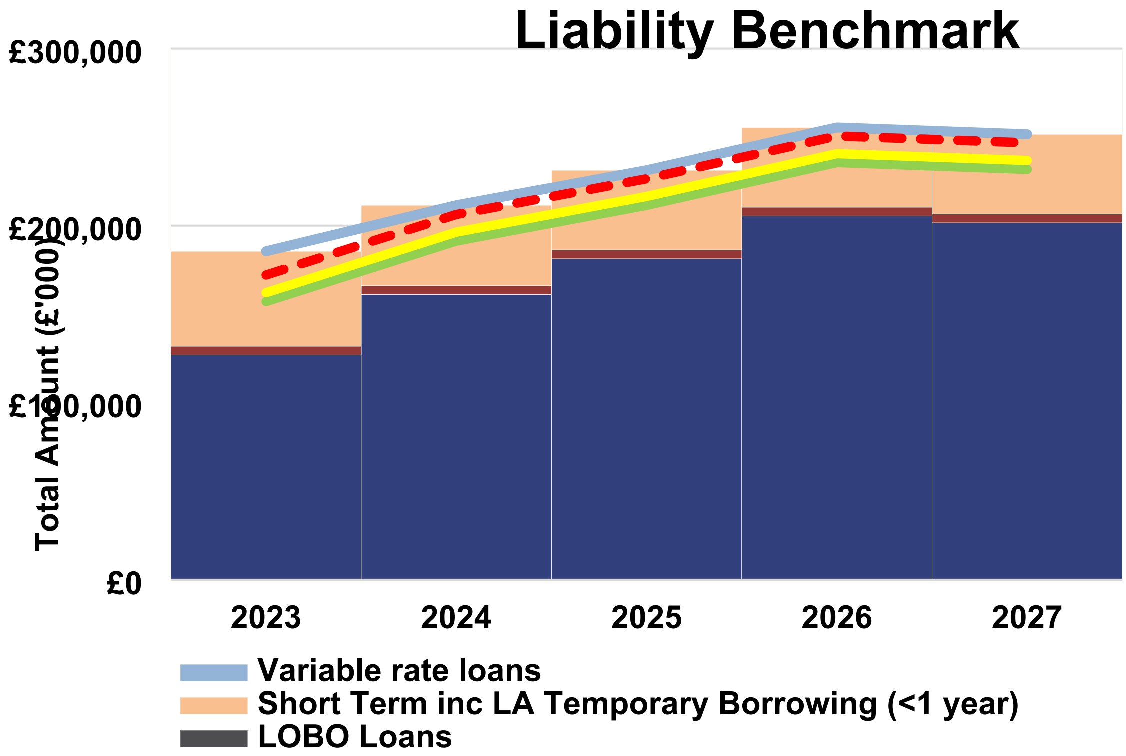
Movement in CFR represented by					
Net financing need for the year (above)	29.037	38.736	24.750	28.047	0.100
Less MRP/VRP and other financing movements	(2.685)	(2.406)	(2.407)	(2.057)	(2.081)
Kings Walk	0.279	0.261	0.242	0.223	0.204
Movement in CFR	**26.631**	**36.591**	**22.585**	**26.213**	**(1.777)**

2.3 Liability Benchmark

The Authority is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast. .
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Fund balances / reserves	1.127	1.127	1.023	1.263	1.395
Capital receipts	0.366	0	1.5	2.5	0
Provisions	1.5	1.5	1.5	1.5	1.5
Other (Grants)	2	2	2	2	2
Total core funds	**4.993**	**4.627**	**6.023**	**7.263**	**4.895**
Working capital*	10	10	10	10	10
Under/over borrowing**	(10.969)	(10.969)	(10.969)	(10.969)	(10.969)
Expected investments	**4.024**	**3.658**	**5.054**	**6.294**	**3.926**

*Working capital balances shown are estimated year-end; these will vary in year

2.5 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

DLUHC regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement*):*

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

1. **Existing practice** - MRP will follow the existing practice outlined in former DLUHC regulations (option 1) This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be

2. **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations

These options provide for a reduction in the borrowing need over approximately the asset's life.

Capital expenditure incurred during 2023/24 will not be subject to an MRP charge until 2024/25, or in the year after the asset becomes operational.

The Council will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

Repayments included in finance leases and loan principal are applied as MRP.

For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

MRP Overpayments - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

Cumulative VRP overpayments made to date are £2.6m.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The Treasury Management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2023 and for the position as at 01 January 2024 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual **31.3.23**	actual **31.3.23**	current **01.01.24**	current **01.01.24**
Treasury investments	£000	%	£000	%
Banks	7,162	35%	7,623	33%
Building societies - unrated	0	0%	0	0%
Building societies - rated	0	0%	0	0%
Local authorities	0	0%	0	0%
DMADF (H.M.Treasury)	0	0%	0	0%
Money Market Funds	3,975	19%	5,975	26%
Certificates of Deposit	0	0%	0	0%
Total managed in house	**11,137**	**55%**	**13,598**	**60%**
Bond Funds	0	0%	0	0%
Property Funds	9,265	45%	9,167	40%
Total managed externally	**9,265**	**45%**	**9,167**	**40%**
Total treasury investments	**20,402**	**100%**	**22,765**	**100%**
Treasury external borrowing				
Local Authorities	51,947	34%	73,600	42%
PWLB	96,621	63%	96,825	55%
LOBOs	5,000	3%	5,000	3%
Total external borrowing	**153,568**	**100%**	**175,425**	**100%**
Net treasury investments / (borrowing)	**-133,166**	**0**	**-152,660**	**0**

The Council's treasury portfolio position at 31 March 2023 with forward projections, is summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
External Debt					
Debt at 1 April	106.98	131.816	168.146	190.489	216.479
Expected change in Debt	24.836	36.330	22.343	25.990	-1.981
Other long-term liabilities (OLTL)	21.752	22.031	22.292	22.534	22.757
Expected change in OLTL	0.279	0.261	0.242	0.223	0.204
Actual gross debt at 31 March	153.847	190.438	213.023	239.236	237.459
LT Debtors					
Revised gross debt					
The Capital Financing Requirement	164.816	201.407	223.992	250.205	248.428
Under / (over) borrowing	10.969	10.969	10.969	10.969	10.969

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Director of Policy and Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt	210	230	255	255
Other long term liabilities	30	30	30	30
Total	240	260	285	285

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

(1) This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

(2) The Council is asked to approve the following authorised limit:

Authorised limit £m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt	225	245	270	270
Other long term liabilities	35	35	35	35
Total	260	280	305	305

3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 7th November 2023. These are forecasts for certainty rates, gilt yields plus 80 bps:

Link Group Interest Rate View 07.11.23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

Additional notes by Link on this forecast table: -

- Our central forecast for interest rates was previously updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).

- Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

PWLB RATES

- The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Euro-zone. At the time of writing there is c70 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is even.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- **Geopolitical risks,** for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the tightening in Bank Rate to 5.25%, the **Bank of England allows inflationary pressures to remain elevated** for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Projected **gilt issuance, inclusive of natural maturities and QT,** could be too much for the markets to comfortably digest without higher yields compensating.

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate remains at 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to factor in Bank Rate reductions for 2024 and later.

Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

3.4 Borrowing strategy

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates.

All rescheduling will be reported to Cabinet at the earliest meeting following its action. The Council has recently taken long term loans and there is no current rescheduling planned.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

1. Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
2. Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.8 Approved Sources of Long and Short term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the Treasury Management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council's investment policy has regard to the following: -

1. DLUHC's Guidance on Local Government Investments ("the Guidance")
2. CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
3. CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that the Treasury Management team are authorised to use. There are two lists in appendix 5.4 under the categories of 'specified' and 'non-specified' investments.

    1. **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
    2. **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

6. **Transaction limits** are set for each type of investment in 4.2.

7. This Council will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

8. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

9. This Council has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.

10. All investments will be denominated in **sterling**.

11. As a result of the change in accounting standards for 2022/23 under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. At the current juncture it has not been determined whether a further extension to the over-ride will be agreed by Government.

However, the Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.
The above criteria are unchanged from last year

4.2 Creditworthiness policy

The Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

1. "watches" and "outlooks" from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings;
3. sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will, therefore, use counterparties within the following durational bands.

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Authority uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Authority is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition, the Council will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long term rating where applicable)	**Money and/or % Limit**	**Time Limit**
Banks *	**yellow**	**£10m**	**5yrs**
Banks	**purple**	**£10m**	**2 yrs**
Banks	**orange**	**£10m**	**1 yr**

Banks – part nationalised	**blue**	**£10m**	**1 yr**
Banks	**red**	**£10m**	**6 mths**
Banks	**green**	**£10m**	**100 days**
Banks	**No colour**	**Not to be used**	
Limit 3 category – Council's banker (where "No Colour")	**Barclays Bank**	**100 %**	**1 day**
Other institutions limit	**A-**	**£10m**	**6 months**
DMADF	**UK sovereign rating**	**unlimited**	**6 months**
Local authorities	**n/a**	**100%**	**1yrs**
	Fund rating	**Money and/or % Limit**	**Time Limit**
Money Market Funds CNAV	**AAA**	**£10m**	**liquid**
Money Market Funds LVNAV	**AAA**	**£10m**	**liquid**
Money Market Funds VNAV	**AAA**	**£10m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark pink / AAA**	**£10m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.50	**Light pink / AAA**	**£10m**	**liquid**

Creditworthiness.
Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, the Council will not set a minimum rating for the UK.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

4.3 Limits

County limits
The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 6.4. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

Investment returns expectations.
The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to have peaked at 5.25%.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows: -

Average earnings in each year	
2023/24 (residual)	5.25%
2024/25	4.55%
2025/26	3.10%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	**2024/25**	**2025/26**	**2026/27**
Principal sums invested over 365 days	£30m	£30m	£30m

4.5 Investment risk benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.
Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

1. 5% historic risk of default when compared to the whole portfolio.

Liquidity – in respect of this area the Council seeks to maintain:

1. Bank overdraft - £0m
2. Liquid short term deposits of at least £5m available with a week's notice.
3. Weighted average life benchmark is expected to be 25 years, with a maximum of 40 years.

Yield - local measures of yield benchmarks are:

4. Investments – internal returns above the 7 day SONIA rate
5. Investments – external fund managers - returns 110% above 7 day compounded SONIA.

And in addition that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	**5%**	**5%**	**5%**	**5%**	**5%**

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2024/25 – 2026/27

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

5.1.1 Capital expenditure

Capital expenditure £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Policy & Resources	0.810	1.179	4.550	4.800	1.175
Place	26.365	42.216	23.200	25.200	1.400
Communities	2.685	1.654	6.972	1.557	1.557
Tech and Corp	0.258	0.758	0.050	0.050	0.050
Culture & Trading	0.000	0.087	1.500	2.000	2.000
Total	30.118	45.894	36.272	33.607	6.182

5.1.2 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

1. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	23.44%	21.06%	21.19%	19.88%	19.95%

The estimates of financing costs include current commitments and the proposals in this budget report.

The current figures are largely the result of the Kings Walk and St Oswalds investments. Rental payments received from retailers within Kings Walk and St Oswalds will cover these financing costs.

5.1.3 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed and variable interest rate borrowing 2024/25		
	Lower	**Upper**
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years and above	0%	100%

5.1.4. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

6 APPENDICES

1. Interest rate forecasts
2. Economic background
3. Treasury management practice 1 – credit and counterparty risk management (option 1)
4. Approved countries for investments
5. Treasury management scheme of delegation
6. The treasury management role of the section 151 officer

6.1 INTEREST RATE FORECASTS 2022 – 2025

Link Group Interest Rate View	07.11.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

PWLB forecasts are based on PWLB certainty rates.

6.2 ECONOMIC BACKGROUND

- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding Bank Rate at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.

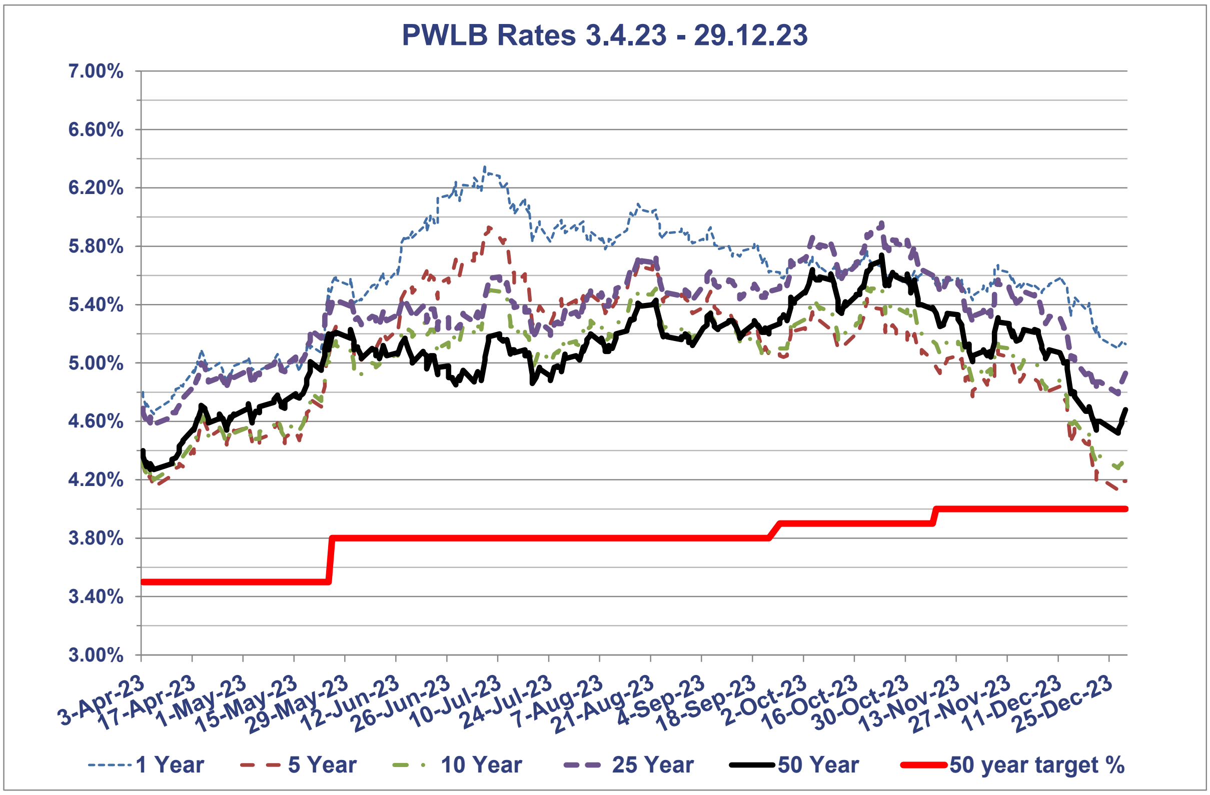
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December data pointed to a -1.8% year on year decrease. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing

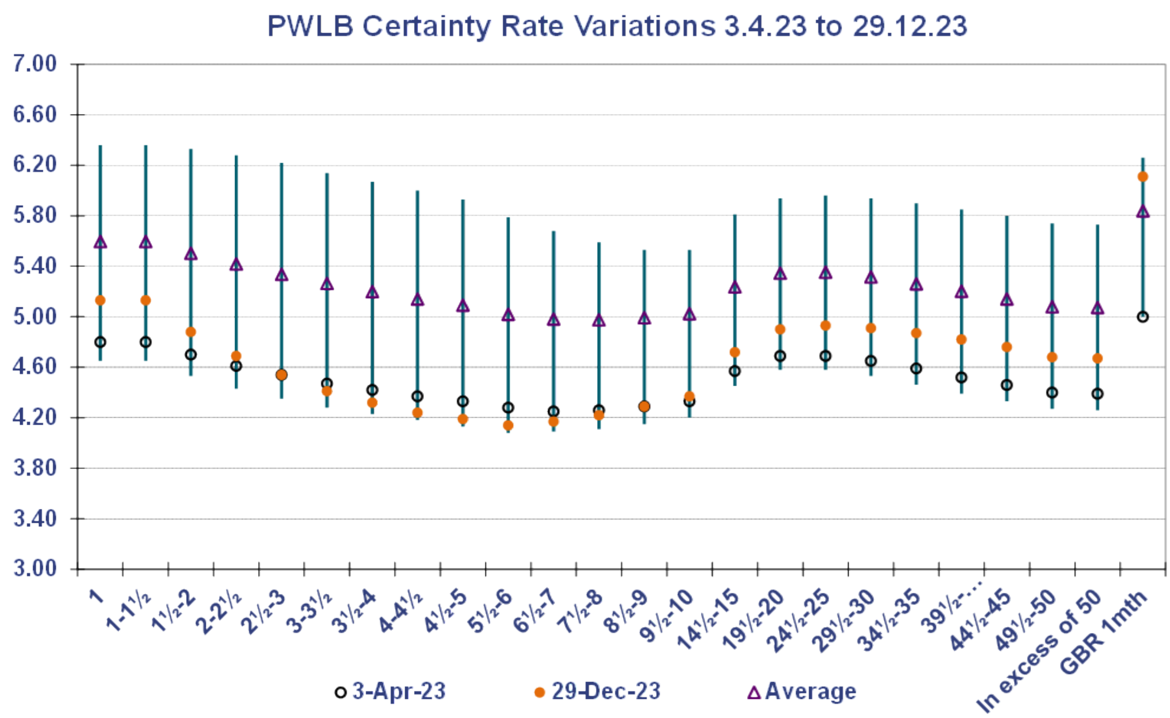
in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.

- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.
- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from \$1.21 in November to \$1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23





HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

6.3 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT OPTION 1

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 100% will be held in aggregate in non-specified investment

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	**** Max % of total investments/ £ limit per institution**	**Max. maturity period**
DMADF – UK Government	N/A	**100%**	**6 months**
UK Government gilts	UK sovereign rating	50%	12 months
UK Government Treasury bills	UK sovereign rating	50%	12 months
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	50%	6 months
Money Market Funds (CNAV, LNAV and VNAV)	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	12 months
Gloucestershire Airport	N/A	£7.25m	
Marketing Gloucester	N/A	£0.24m	
Rokeby Merchant	N/A	£0.6m	
Ladybellegate Estates	N/A	£1.8m	

Gloucestershire Wildlife Trust	N/A	£0.55m	
Term deposits with banks and building societies	Blue Orange Red Green No Colour	£10m £10m £10m £10m £0	12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£1m £1m £1m £1m £0	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	Nil	
CCLA Property/DIF Funds		£15m	10 years

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

6.4 APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

AAA

1. Australia
2. Denmark
3. Germany
4. Netherlands
5. Norway
6. Singapore
7. Sweden
8. Switzerland

AA+

9. Canada
10. Finland
11. U.S.A.

AA

12. Abu Dhabi (UAE)

AA-

13. Belgium
14. France
15. Qatar
16. U.K.

6.5 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Audit and Governance Committee

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Body/person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

6.6 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe ensuring that

the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money

- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*
    - *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
    - *Training* and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Gloucester City Council

Audit and Governance Committee Work Programme 2023-24

Updated 23 February 2024

Item	Format	Committees	Lead Officer	Notes
4th March 2024				
1. External Audit Update	Verbal Update	Audit and Gov	External Audit Manager	Verbal update requested by Chair and Vice-Chair
2. Statement of Accounts	Written Report	Audit and Gov	Head of Finance and Resources	2021/22 final accounts
3. Internal Audit Activity 202324 – progress report including s. 106 agreements final audit	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
4. Draft Internal Audit Plan 2024-25	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
5. Capital Strategy 2024-25	Written Report	Audit and Gov Cabinet Council	Accountancy Manager	Part of the Committee's annual programme of work
6. Treasury Management Strategy 2024-25	Written Report	Audit and Gov Cabinet Council	Accountancy Manager	Part of the Committee's annual programme of work
7. Audit and Governance Committee Work Programme	Timetable	---------------	---------------	Standing Agenda Item

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