



Gloucester City Council

Statement of Accounts 2025/26
[Unaudited]

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Section 1

Narrative Report

Introduction to the Group Statement of Accounts

Welcome to the consolidated group accounts for Gloucester City Council and its operating subsidiaries for the financial year ended 31 March 2026.

This Narrative Report provides an overview of the Council's objectives, services, financial performance, and financial position, together with the key issues and risks that have influenced the accounts.

During the year, the Council continued to deliver a broad range of statutory and discretionary services, with a clear focus on protecting vulnerable residents, supporting local communities, and enabling economic activity across the city. The Council remains committed to continuous improvement, the application of best practice, and securing value for money in the use of public funds.

The year was characterised by continued financial pressures arising from inflation, demand-led services, and constraints on local government funding. These pressures required careful financial management and robust governance arrangements. The Council has taken a prudent approach to budget management and financial planning, seeking to maintain service delivery, manage risk effectively, and support the long-term financial sustainability of the organisation.

The report includes:-

- Key facts about Gloucester
- Key facts about Gloucester City Council
- A summary of financial performance and financial position
- An overview of non-financial performance
- An explanation of the financial statements

I would like to thank you for taking the time to read this report and for your interest in the Council's finances. Should you require any further information or clarification on any aspect of the accounts, please do not hesitate to contact the Council using the details provided below.

Alison Turner CPFA
Head of Finance and Resources – Section 151 Officer

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

Narrative Report

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 2026.

An Introduction to Gloucester City

Gloucester City Council is a non-metropolitan district authority serving a population of approximately 138,598 residents within the county of Gloucestershire. The Council delivers a wide range of statutory and discretionary services and works in partnership with one parish authority, Quedgeley Town Council. The city shares administrative boundaries with Stroud District Council, Forest of Dean District Council and Tewkesbury Borough Council.

Gloucester is a vibrant, diverse and historic city, offering a strong blend of cultural heritage, economic activity and modern urban living. Its rich history spans over two thousand years, from its origins as a Roman colony, through its status as one of England's most significant medieval cities, to its development as an important industrial centre.



The city is home to one of the country's finest medieval buildings, Gloucester Cathedral, a nationally significant landmark and visitor attraction which has also provided the backdrop for major television and film productions, including *Doctor Who* and the *Harry Potter* franchise. Gloucester has undergone substantial regeneration and now represents a key economic and leisure destination, incorporating retail, hospitality, residential development, and high-quality waterside accommodation. This includes the recently opened Council-owned Hotel Indigo at The Forum, the city's first luxury hotel, supporting both tourism growth and long-term income generation.

Gloucester is also recognised nationally for its sporting and cultural assets. Gloucester Rugby Club, based at the iconic Kingsholm Stadium, is one of England's leading rugby union clubs and attracts significant national and international attention through elite sporting and community events. The city provides a wide range of cultural, sporting and leisure facilities, including several museums, the Guildhall arts and performance venue, GL1 Leisure Centre, Oxstalls Sports Park, Gloucester Park and Robinswood Hill Country Park.

Throughout the year, Gloucester hosts a programme of major festivals and events celebrating its heritage, culture and community, contributing to the city's strong identity and supporting the local economy.

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 2024](#) reported that Gloucester's estimated population was 138,598.

Governance and Management Arrangements

Gloucester City Council is a multifunctional and complex organisation, delivering a wide range of services to local residents. Services are provided through a combination of direct delivery, joint working arrangements, strategic partnerships and third-party providers. The Council's strategic direction and policy framework are determined by elected Members, with delivery and operational management supported by the Senior Management Team and officers of the Council.

This section outlines the political and management structures in place during the financial year.

Political Structure

The Council is the primary decision-making body at Gloucester City Council. Local Councillors are elected by the community to determine how the Council carries out its functions and delivers services. Councillors represent the interests of the public as a whole, as well as those of the residents within the wards they have been elected to serve, undertaking a defined term of office.

Councillors maintain regular contact with residents through attendance at Council and committee meetings, responding to correspondence and telephone enquiries, and by holding local ward surgeries. Surgeries provide an opportunity for residents to meet their Councillor face-to-face to raise issues, seek advice and discuss matters of local concern.

The Council comprises **39 elected Members**, representing **18 wards** across the City. Council elections are held every four years, with all seats contested at each election. The most recent full Council election took place in **May 2024**, resulting in a change to a position of **No Overall Control**, with a minority administration led by the Liberal Democrat Party.

Political Composition

The political make-up of Gloucester City Council at **31 March 2026** was as follows:

Conservative Party	10 Councillors
Liberal Democrat Party	17 Councillors
Labour Party	7 Councillors
Independent Group	5 Councillors

The Council employs a workforce of 363 staff to manage and deliver services to residents under the strategic direction of the Senior Management Team. This workforce includes the Council's key Statutory Officers, ensuring that the statutory responsibilities and professional standards are appropriately represented and embedded at the senior level of the organisation.

The Senior Management Team structure and the Statutory Officers in place during the 2025/26 financial year are set out below:

Managing Director (Head of Paid Service)	Jon McGinty
Corporate Director	Ruth Saunders
Head of Finance & Resources (Section 151 Officer)	Alison Turner
Head of Policy & Governance (Monitoring Officer)	Tanya Davies
Director of Place, Assets & Regeneration	Andrew Hearne
Head of Cultural & Leisure Services	Louisa Davies
Head of Transformation & Commissioning	Iain Stark

Overall Responsibility and Executive Leadership

Gloucester City Council operates under the Leader and Cabinet model of political management, adopted in accordance with the Local Government and Public Involvement in Health Act 2007. Under this governance framework, overall executive responsibility rests with the Leader of the Council.

The Leader is responsible for appointing Members to the Cabinet, allocating Cabinet portfolios, and determining the delegation of Executive functions. Decision-making responsibilities and the scope of executive authority are set out within the Council's Constitution.

The Cabinet collectively provides strategic leadership, policy direction and executive decision-making for the Council. Cabinet Members are accountable for their respective portfolio responsibilities and are subject to scrutiny by non-executive Members through the Council's scrutiny arrangements, as defined in the Constitution. These arrangements provide checks and balances and support transparency and accountability in the decision-making process.

During the 2025/26 financial year, the Cabinet comprised the Leader of the Council, a Deputy Leader, and five Cabinet Members. The Cabinet membership during this period was as follows:

Leader of the Council and Cabinet Member for Regeneration	Councillor Jeremy Hilton
Deputy Leader and Cabinet Member for Resources	Councillor Declan Wilson
Cabinet Member for Culture and Leisure	Councillor Caroline Courtney
Cabinet Member for Environment	Councillor Sebastian Field
Cabinet Member for Planning	Councillor Sarah Sawyer
Cabinet Member for Housing	Councillor Luke Shervey
Cabinet Member for Community Engagement	Councillor Rebecca Trimnell

Including the main Council Meetings, the major decisions of the Council are considered at several administrative and oversight committees that are open for the public to attend, and are live-streamed on the Council's YouTube channel, except for occasions where personal or confidential matters are being discussed. The Chairs of these committees are detailed below:

Licensing Committee	Councillor Tracy Millard
Overview and Scrutiny Committee	Councillor Andrew Gravells MBE
General Purposes Committee	Councillor Jeremy Hilton
Planning Committee	Councillor Angela Conder
Audit and Governance Committee	Councillor Victoria Miller

Supporting the work of Councillors is the organisational structure of the Council, Members of the Council also nominate a Councillor each year to take on the roles of Mayor and Sheriff & Deputy Mayor. The Mayor and Deputy Mayor for 2025/26 were:

Mayor	Councillor Ashley Bowkett
Sheriff & Deputy Mayor	Councillor Linda Castle

Full details of all the Council's committees, including chairs and membership can be found on the Council's website at <https://www.gloucester.gov.uk/about-the-Council/committees-and-meetings>.

The Council's Corporate Plan for 2025 – 2028

The Corporate Plan 2025–2028 sets out the Council's overarching vision for a vibrant, inclusive and sustainable Gloucester, underpinned by regeneration, wellbeing and sustainable service delivery.

Our corporate priorities

<p>1. Regeneration, Growth and Heritage</p>	<p>The Council's Corporate Plan 2025–2028 is centred on the regeneration of Gloucester and the promotion of sustainable economic growth. Key priorities include delivering major regeneration schemes, increasing housing provision, supporting business investment and employment opportunities, and enhancing the city's role as a retail, leisure and cultural destination. The Plan also recognises the importance of protecting and promoting Gloucester's heritage as part of its long-term economic and civic development.</p>
<p>2. Communities, Culture and Wellbeing</p>	<p>A further priority is to strengthen communities and improve residents' quality of life through culture, community engagement, health and wellbeing initiatives. This includes supporting festivals, arts and cultural activity, improving public spaces, promoting safety and community cohesion, and working with voluntary and community organisations. The Council also places emphasis on improving access to leisure opportunities, green spaces and activities that contribute to healthier lifestyles and wider wellbeing outcomes.</p>
<p>3. Sustainability and Effective Service Delivery</p>	<p>The Corporate Plan also prioritises environmental sustainability and the delivery of efficient, effective and financially sustainable council services. This includes action to address climate change, reduce carbon emissions, improve biodiversity and promote sustainable transport. Alongside this, the Council aims to modernise and improve services through digital development, effective use of assets, high-quality environmental services and a continued focus on value for money and long-term sustainability.</p>

Working with partners

The Council puts a strong focus on working together with partners across Gloucestershire to deliver on the Corporate Priorities above and other joint outcomes for our residents, communities, staff and service users. Among these are:

- Ubico Limited – a company jointly owned by Gloucester and seven other Local Authorities responsible for delivering environmental services across Gloucestershire (12.5% ownership);
- The Gloucester Business Improvement District - delivers a range of projects that benefit businesses in the city centre;
- One Legal – the shared legal service between Cheltenham, Tewkesbury, Gloucester City and Stroud District Councils; and
- Gloucestershire Audit & Risk Assurance Services – a shared service between Gloucestershire County, Gloucester City and Stroud District Councils commissioned to provide our internal audit services.
- IHG Hotels – The council works in partnership with IHG Hotels and Resorts, who provide hotel management and franchise services through KQ Hotel Management Company No 2 Ltd, the wholly owned subsidiary.

The Devolution Agenda

The landscape of local government is changing dramatically. National government is proposing significant changes to how local councils operate. The devolution agenda, along with a number of new locally announced economic programmes, means councils must be adaptable and have the ability to embrace change, whilst ensuring financial stability.

Currently, Gloucestershire comprises one county council and six smaller district councils, each responsible for different services. The proposal aims to replace them with fewer, larger councils that manage all services, known as ‘unitary’ authorities.

Currently three options are under consideration:

1. One council covering the entire County.
2. Two councils divided East (Cheltenham, Tewkesbury, and Cotswold) and West (Gloucester, Forest of Dean, and Stroud).
3. Two councils, one being an enlarged Gloucester City (referred to as ‘Greater Gloucester’), and one for the remainder of the County.

A decision is expected in July 2026.

The table below gives the expected timeline:

LGR full plan submission deadline	Nov 2025
Government Review Proposals	Dec 2025 to April 2026
Elections for new unitary (shadow authority)	May to Dec 2027
Vesting day for new authorities	1 st April 2028

This would mean that Gloucester City Council would cease to be a council on the 31 March 2028 and would be merged into the new unitary council/councils from the 1 April 2028, referred to as the “vesting day”. Until then, Gloucester City Council will continue to deliver services as normal.

Group structure

Gloucester City Council delivers most services directly. However, the Council also has interests in other entities that support service delivery and the Council’s wider regeneration and commercial objectives. At 31 March 2026 the Council’s group includes:

- a wholly owned subsidiary, KQ Hotel Management Company No.2 Ltd, established to operate the Council-owned hotel at The Forum development,
- a 50% interest in Gloucestershire Airport Limited, which is treated as a joint venture in the Group Accounts, and
- Ubico Limited is governed by arrangements that require key strategic and financial decisions to be agreed collectively by each of the eight shareholder authorities. No single shareholder, including the Council, is able to unilaterally direct Ubico’s relevant activities. Ubico is therefore not consolidated into the Group accounts.

Further information on the group and the basis of consolidation is set out in the accounting policies and Group Accounts notes.

Changes in the year

During 2025/26, the Council’s wholly owned subsidiary, KQ Hotel Management Company No.2 Ltd, commenced trading in relation to the Council owned hotel at The Forum development. Operations commenced on 24 March 2026 and therefore the group figures for 2025/26 include only a short period of trading activity, together with any associated pre-opening costs incurred in the year.

Group Accounts are prepared to provide a complete picture of the Council's financial position and performance, including those activities delivered through entities the Council controls or jointly controls. This approach is required by proper accounting practice (CIPFA/LASAAC Code and IFRS). In the Group Accounts, the subsidiary is fully consolidated and the Council's interest in the joint venture is included using equity accounting.

Key risks of Council-owned hotel

The development and operation of a Council-owned hotel forms part of the Council's wider regeneration ambitions for the city centre and is intended to support economic activity and create a sustainable income stream over the longer term. As a new commercial operation, the hotel also introduces additional risks that are managed through governance, financial oversight and contractual arrangements.

- **Trading performance risk** – income is sensitive to occupancy levels, room rates and wider market conditions, including the strength of the local visitor economy and business travel.
- **Cost and inflation risk** – staffing, utilities and supply costs may vary and can affect profitability, particularly in the early stages of operation.
- **Contractual and operational risk** – the hotel's performance can be influenced by the effectiveness of operational arrangements (including any branding, management or franchise agreements) and compliance with contract terms.
- **Governance and financial reporting risk** – as a new subsidiary, there is an increased need to ensure robust controls, timely financial reporting and clear accountability between the Council and the company.
- **Reputational risk** – as a Council-owned commercial operation, service quality and financial outcomes may attract public interest and scrutiny.

Assurances

Internal Audit provides independent and objective assurance on the adequacy and effectiveness of the Council's governance, risk management and internal control framework. Audit activity is delivered using a risk-based approach, with coverage prioritised towards high-risk areas. The outcomes of audit work and overall assurance opinions are reported regularly to the Audit & Governance Committee.

Assurance Level	Definition
Substantial	All key controls are in place and working effectively to ensure risks are managed. Some minor action may be required to improve controls. The Council has low risk exposure.
Acceptable	All key controls are in place and the majority of controls are being consistently applied to ensure risks are effectively managed. Some action may be required to improve controls. The Council has a low to medium exposure to risk.
Limited	Not all key controls are in place or working effectively to ensure the risks are managed. Action is required to improve controls. The Council has a medium to high exposure to risk.
No	Key controls are not in place in key areas or are ineffective to ensure the risks are managed effectively. Urgent action is required to improve controls. The Council has a high exposure to risk.

During the year, 13 internal audit reports were issued, consisting of 3 limited assurance opinions, 7 acceptable assurance opinions, and 3 non-graded reports relating to certification or consultancy assignments.

Assurance level	Number of Reports	
	2025/26	2024/25
Substantial	0	1
Acceptable	7	8
Limited	3	0
No	0	0
Not Applicable	3	4
Total	13	13

The purpose of the reports were to identify risks and propose actions:

Risk Level	Definition
High	Action that is considered essential to ensure that the Council is not exposed to high levels of risk. If not addressed there will be major adverse impact on the achievement of the Councils objectives.
Medium	Action is considered necessary to avoid exposing the Council to medium levels of risk. If not addressed there will be significant impact on the achievement of the Councils objectives.
Low	Action is required to enhance control. If not addressed, it may impact on the ability of a system or unit to achieve its objectives.

These reports contained a total of 48 recommendations, comprising 11 high priority, 32 medium priority, and 5 low priority findings.

Risk Rating	Number of Recommendations	
	2025/26	2024/25
High	11	4
Medium	32	26
Low	5	0
Total	48	30

The volume and profile of recommendations indicate that improvements to internal controls are required, particularly in higher-risk areas. Management has acknowledged these findings, and action plans are in place to address identified weaknesses, supporting the continued strengthening of the Council's overall control environment.

Performance against key performance indicators has been assessed against the prior year. Results indicate that a number of areas continue to face ongoing challenges. While some indicators have stabilised, overall performance reflects the continued impact of operational and financial pressures.

The Council maintains a strong focus on challenge and review to drive improvement. However, it is recognised that delivering sustained and measurable improvement takes time, particularly where changes involve embedding new principles, behaviours, and working practices across services.

A number of recommendations have also been identified through performance monitoring and review processes. These reflect a clear understanding of current performance levels, the gaps that exist, and the actions required to achieve the Council's desired outcomes. Implementation of these improvements is ongoing, supported by strengthened monitoring and enhanced management oversight.

Key Performance Indicators

The Council monitors a range of key performance indicators (KPIs) to assess how effectively and efficiently services are being delivered, and to provide assurance that resources are being used to support the Council's priorities and deliver value for money. The indicators below provide a snapshot of performance across selected service areas, comparing current year results with targets and prior year performance where available. Performance is reviewed through the Council's management and governance arrangements, with areas of underperformance subject to further review and improvement action where required.

Key Performance Indicator	Target	2025/26	2024/25
Invoices paid within 30 days of receipt, including disputed invoices	95%	95%	95%
Household waste and recycling collections completed on schedule	99.90%	99.96%	99.95%
Council Tax Rates collected as a percentage of the amount due	97%	96.48%	96.43%
Non-Domestic Rates collected as a percentage of the amount due	98%	97.51%	98.24%
Average days to process Housing Benefit and Council Tax new claims	20 days	15.3 days	14.6 days

Overall, the indicators demonstrate that core operational performance has generally been maintained during the year, although the Council recognises the need for continued focus on areas where performance is below target or where further data is required to support effective monitoring and improvement.

Introduction to the Financial Statements

The purpose of this narrative report is to provide an explanation of the Council's financial performance and position for 2025/26 and assist in the interpretation of the accounting statements, including the Group Accounts. The statements should inform readers of the cost of services provided by the Council in the year 2025/26 and the Council's assets and liabilities at the year end.

The accounts for the year ending 31st March 2026 have been prepared and published in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This incorporates International Financial Reporting Standards (IFRSs), ensuring the accounts are compliant with these standards. The following main statements and notes are included:

Statement of Responsibilities for the Statement of Accounts	Sets out the respective responsibilities of the Council and the Section 151 Officer for the accounts.
Statement of Accounting Policies (note 1 to the notes to the accounts)	This explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. It includes the basis of charges to revenue and the calculation of items in the Balance Sheet.
Comprehensive Income and Expenditure Statement supported by the Expenditure and Funding Analysis note	The Comprehensive Income and Expenditure Statement shows the cost in the year of providing services, in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis reconciles this to the amount chargeable to General Fund and Housing Revenue Account reserves (where applicable) in the year.
Balance Sheet	This summarises the overall financial position of the Council at the year end, showing its assets, liabilities and reserves.
Movement in Reserves Statement	This details the movement in the Council's reserves during the year.
Cash Flow Statement	This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Group Accounts	These Group Accounts consolidate the Council's wholly owned subsidiary KQ Hotel Management Company No.2 Ltd (100%) and its joint venture interest in the Airport (50%) using full consolidation and the equity method respectively. These bring together the accounts of Gloucester City Council and the Council's share of the net assets of Gloucestershire Airport Limited. They also include the results and net assets of the Council's wholly owned subsidiary, KQ Hotel Management Company No.2 Ltd.
Collection Fund	Reflects the statutory requirement to maintain a separate account showing transactions in relation to Council Tax and Non-Domestic Rates (NDR), indicating how the amounts collected are distributed to central government, Gloucestershire County Council, the Gloucestershire Police and Crime Commissioner, and Gloucester City Council.
Annual Governance Statement	This sets out how the Council is meeting its obligations and the improvements it intends to make to its systems of internal control and corporate governance arrangements.

These accounts are supported by notes to the accounts and a glossary of terms to provide readers with further information.

The Council's Financial Performance in The Year and Its Position at the Year End

Future Outlook and Key Factors

The 2025/26 financial year has been significantly impacted by the construction and development of operations associated with KQ Hotel Management Company No. 2 Ltd, with substantial capital investment and related costs incurred. Now that the hotel is complete and operational, it is expected to generate income and deliver positive cashflows in future periods, supporting the Council's long-term financial sustainability.

Looking ahead, a number of factors may influence financial performance and cashflows. These include the ability of KQ Hotel Management Company No. 2 Ltd to achieve projected occupancy and income levels, wider economic conditions affecting the hospitality sector, ongoing inflationary pressures, and changes in customer demand. These risks and uncertainties will continue to be actively monitored.

The Council has also recently navigated a period of significant disruption following the cyber-attack. During this time, the Finance Team operated under considerable pressure to maintain business-as-usual activities whilst financial systems and ICT infrastructure were being restored. This reduced the capacity for effective budget monitoring, and a number of service areas experienced overspends, some of which were not recoverable. These pressures, combined with ongoing funding challenges, contributed to a further period of financial overspend.

To support financial stability during this period, the Council applied for Exceptional Financial Support (EFS) provided by the Department for Levelling Up, Housing and Communities. This is a capitalisation directive which enables additional financial flexibility using borrowing to manage in-year revenue pressures. Whilst this support has been critical in maintaining financial resilience in the short term, it is recognised as a temporary measure. A requirement of EFS is for the Council to present a recovery plan to government, the Council is delivering a programme of financial recovery and transformation to reduce reliance on such support over time, this includes an asset disposal programme of surplus assets to generate capital receipts to reduce borrowing.

In response, to the Financial challenges and the external auditors statutory recommendations issued in October 2025, a programme of improvement and strengthened financial governance has been implemented. Increased scrutiny of the Council's financial position led to the approval of an updated budget and the introduction of robust monthly monitoring arrangements engaging with the budget officers. These measures have improved the robustness of financial review, challenge, and oversight, and have strengthened overall financial control. The Council welcomes these developments and supports the continuation of enhanced monitoring whilst the financial position remains constrained. Recognition is also given to the significant contribution of the Finance Team in delivering these changes and embedding stronger financial management, control, and reporting practices.

The Council is pleased to confirm that it is up to date with all financial reporting and statutory requirements. The 2025-26 Annual Governance Statement(AGS) is complete and included with the accounts for public inspection.

Governance and Control Environment

This Council is in a challenging financial position and has a significant recovery plan to implement to achieve financial sustainability in the medium term. The AGS highlights a number of key governance issues which need to be delivered, including a review of the Corporate Code of Governance, a revised Risk Register, impact of Local Government Reorganisation and deliver the actions to meet the three statutory recommendations.

General Fund Revenue Budget

The financial year 2025/26 was dominated by national and international uncertainty causing higher than budgeted cost inflation and interest rates. The table below highlights that the actual outturn for 2025/26 was £3.844m an overspend of £3.856m compared to original budget. The main reasons for this variance are:

- Higher than budgeted costs in relation to parking resulting from increased maintenance and security costs.

- Increase in the cost for leisure due to the impact on revenue of the delay in the capital works at GL1 and unbudgeted building and insurance costs.
- Higher service charges and other void costs than budgeted on the commercial property portfolio.
- Additional professional advice and support required at a corporate level to address the current financial situation of the Council, and in relation to Local Government Reorganisation activities.

General Fund Performance Overview

The Council monitors performance against key financial and service indicators to ensure effective delivery of General Fund services.

Revenue Outturn

The following table details the Council's final net revenue expenditure analysed by service area.

Revenue Outturn 2025-26	2025/26 Budget £'000	2025/26 Actual £'000	2025/26 (Under)/Overspend £'000
Regeneration & Leader Resources	1,592	1,543	(49)
Housing	2,452	4,064	1,612
Community Engagement	1,050	721	(329)
Environment	1,347	1,554	207
Planning	6,967	7,333	366
Culture & Leisure	573	522	(51)
Corporate & Funding	1,604	1,944	340
	(12,867)	(13,837)	(970)
Outturn	2,718	3,844	1,126

Budget monitoring proved challenging during the year, as the new process was not introduced until December 2025, leaving limited time for it to take effect. The strengthened monitoring arrangements will continue throughout 2026/27, with regular engagement with budget officers to ensure variances are identified, reviewed and addressed promptly.

Medium Term Financial Position (Money Plan)

The Money Plan for 2026-2031 has been updated to include the financial issues discovered during 2025. In September 2025 following the completion of the 2023/24 Statement of Accounts a report was presented to members updating the financial position. This report detailed the overspend of £826k in 2023/24 and also highlighted that there was an overspend in 2022/23 of £725k which was not apparent until January 2025 when the accounts were published and signed off. The adjusted general fund balances as at 31 March 2024 was £393K which when factored into the Money Plan figures presented in February 2025 created a negative reserves position for 2026/27. The Council faced a very stark and challenging financial position. Immediate action was needed to mitigate the risk of not being able to set a balanced budget for 2026/27 leading to the possibility of issuing a Section 114 Notice.

In December 2025 a further financial update report was presented following completion of the draft outturn for 2024/25. The variance against the budget was a significant overspend of £4.3m, higher than the estimated outturn reported in July 2025 of £262k. This level of overspend took the general fund reserves into a negative position for 2024/25. This effectively meant the authority was in a Section 114 position and as such the Council contacted the MHCLG and CIPFA advisors were engaged to work with the finance

team. The internal finance team had already carried out a full review of the budgets and financial controls which has led to the findings in both the September and December reports.

The Council submitted an application for Exception Financial Support (EFS) on 19th December 2025 and this was agreed in principle by the MHCLG 23 February 2026 which meant a balanced budget could be set for 2026/27. The Council's financial position is critical, given its negative balances in 2024/25 and 2025/26 without Exceptional Financial Support (EFS) in the form of a £15.5m capitalisation direction the 2026/27 budget could not be delivered. A Capitalisation Directive gives approval to use borrowing to fund revenue, if this borrowing is used it has revenue implications as the borrowing must be funded. This is a short term solution and the Council is working to deliver the recovery plan to achieve financial sustainability in the medium term.

Exceptional Financial Support/Capitalisation Directive

A Capitalisation Directive allows revenue expenditure to be funded from borrowing. The request for EFS was £15.5m over 3 years and has been used as detailed:

Year	Amount £m
2024/25	3.90
2025/26	4.28
2026/27	7.32
Total	15.50

The 2025/26 outturn required £4.284m (2024/25: £3.902m) EFS and this has been charged to the Comprehensive Income and Expenditure Statement (CIES) and appropriated to the Capital Adjustment Account through the Movement in Reserves Statement (MIRS).

Capital Expenditure

In 2025/26 the Council spent £37.9 million (2024/25: £42.9m) on capital projects, grants and loans, across its capital programme. Key expenditure on capital schemes include:-

	£ '000
Kings Quarter Regeneration Project (including The Forum)	24,282
Eastgate Shopping Centre	3,832
Waste & Recycling Fleet	1,876
Temporary Housing Properties	1,499

The Council plans to continue to fund capital from a range of sources including, government grants, and capital receipts, and will make further use of prudential borrowing to support the Council's major capital schemes where it is both prudent and affordable.

Cash Management

Throughout 2025/26 the Council has continued to manage its cash flows, investments, and borrowings to ensure sufficient resources were available to meet our commitments. The Council's strategy was to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

As such, short term investments and borrowing are used to ensure strong returns whilst also balancing the availability of cash, particularly during the pandemic when there was greater uncertainty about potential commitments.

Significant Liabilities

The Council's pension liability decreased during 2025/26 by £10.083 million (2024/25: £29.847 million liability decrease). In the preparation of the Statement of Accounts, an asset ceiling report was commissioned to allow management to assess how the balance should be recognised and disclosed in the accounts. Based on the information in this report, the pension asset has been adjusted by the expected net asset once agreed past service contributions have been paid thus representing the present value of the defined benefit obligation less the fair value of plan assets (IAS 19).

Reserves and Balances

In assessing the adequacy of reserves and balances as part of the 2025/26 budget, the Section 151 Officer used a risk-based approach to assess the appropriate level of general balances which calculated the optimum level to be £1.3 million by the end of each year. At the year end, the General Fund balance stands at nil and therefore does not meet the optimum level recommended by the Section 151 Officer.

Accepting that continuing pressures from inflation and interest rates could leave the Council exposed without clear decision-making in delivering a balanced budget, actions are being taken to increase the robustness of the reserves position.

Members will need to be mindful that there may be an expectation to further strengthen these reserves in order that the Council is robustly covered against further financial pressures which may emerge and the impact of the fairer funding review from 1 April 2026. The money plan has been updated including the EFS support and the Council has a recovery plan in place to achieve a medium term sustainable financial position which includes reserves at an appropriate level.

Changes in accounting policies and estimates

The Council has reviewed its accounting policies during the year and revised them as necessary in accordance with the 2025/26 Code of Practice in Local Authority Accounting. The policies are detailed in note 1 to the accounts and any changes in accounting policies are detailed in note 2.

Further Information

Further information about the accounts is available from the Head of Finance & Resources, North Warehouse, The Docks, Gloucester, GL1 2FB. Tel. (01452) 396422. This is part of the Council's policy of providing full information about the Council's affairs.

Alison Turner CPFA

Head of Finance & Resources (Section 151 Officer)

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 who also undertakes the role of the Section 151 Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- and to approve the Statement of Accounts.

The Responsibilities of the Section 151 Officer:

The 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 Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice"). In preparing the Statement of Accounts, the Section 151 Officer has:

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

The Section 151 Officer has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2026.

.....
Alison Turner CPFA
31st March 2026
Head of Finance & Resources (Section 151 Officer)

Section 2

Core Statements

DRAFT

Comprehensive Income and Expenditure Statement

This statement consolidates all gains and losses recognised by the Council during the financial year and shows the economic cost of providing services in accordance with generally accepted accounting practices (GAAP). It reflects the full accounting cost incurred in-year, rather than the amount required to be funded from Council Tax and Non-Domestic Rates (NDR). The Council raises taxation to cover expenditure in line with statutory and regulatory requirements, which may differ from the accounting cost of services as reported in the Comprehensive Income and Expenditure Statement. The impact of these statutory adjustments, and the resulting taxation position for the year, is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2024/25				2025/26			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
19,110	(9,171)	9,939	Communities	27,609	(17,168)	10,441	
38,086	(36,572)	1,513	Finance and Resources	36,239	(34,725)	1,514	
5,341	(167)	5,174	Transformation and Commissioning	5,021	(225)	4,796	
4,961	(2,563)	2,398	Culture and Leisure	3,945	(2,053)	1,892	
12,482	(12,058)	424	Place	12,499	(11,519)	980	
2,097	(693)	1,404	Senior Management	1,742	(517)	1,225	
82,077	(61,225)	20,852	Cost of Services	87,055	(66,207)	20,848	
		285	Other Operating Expenditure			182	7
		2,487	Financing and Investment Expenditure			(15,080)	8
		(25,469)	Taxation and Non-Specific Grant Income			(23,008)	9
		(1,845)	(Surplus) / Deficit on the Provision of Services			(17,058)	
			<i>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</i>				
		-	(Surplus) or Deficit on revaluation of non-current assets			(4,227)	
		(693)	Remeasurement of the net defined benefit liability/(asset)			(3,110)	33
		(693)	Other Comprehensive Income and Expenditure			(7,337)	
		(2,538)	Total Comprehensive Income and Expenditure (Surplus)/ Deficit			(24,395)	

Balance Sheet – Assets & Liabilities

This statement sets out the value of the Council's recognised assets and liabilities at the balance sheet date. The net assets of the Council (being assets less liabilities) are matched by the reserves held by the Council.

31 March 2025		Note	31 March 2026
£'000			£'000
242,173	Property, Plant & Equipment	18	275,358
53,761	Investment Property	22	69,946
154	Intangible Assets		132
7,042	Heritage Assets	19	7,042
588	Surplus Assets	18	816
10,677	Long term Investments	25	10,073
10,033	Right-of-Use Assets	23	9,769
748	Long term Debtors	25	829
325,176	Long Term Assets		373,965
4,500	Assets held for Sale	20	3,886
164	Inventories		156
44,006	Short term Debtors	26	43,831
7,533	Cash and Cash Equivalents	27	6,504
56,203	Current Assets		54,377
(122,048)	Short term Borrowing	25	(102,048)
(1,826)	Other Short term Borrowing	25	(1,862)
(4,418)	Short term Creditors	28	(11,767)
(869)	Provisions (<1yr)	29	(940)
(129,161)	Current Liabilities		(116,618)
(106)	Provisions (>1yr)	29	(84)
(118,729)	Long term Borrowing	25	(160,458)
(34,789)	Other Long term borrowing	25	(29,818)
(6,825)	Grant receipts in advance - capital		(15,293)
(4,045)	Deferred Income		(4,037)
(31,990)	Pension Liabilities	33	(21,907)
(196,484)	Long Term Liabilities		(231,597)
55,734	Net Assets		80,128

Balance Sheet - Reserves

Reserves are reported in two categories. The first category comprises **usable reserves**, which are those that the Council may use to provide services, subject to the requirement to maintain a prudent level of reserves and to statutory limitations on their use. For example, the Capital Receipts Reserve may only be applied to finance capital expenditure or to repay debt.

The second category comprises **unusable reserves**, which the Council is not able to use to provide services. These include reserves that hold unrealised gains and losses (such as the Revaluation Reserve), where amounts only become available to support service provision if the underlying assets are disposed of, and reserves that represent timing differences arising from the recognition of transactions in the Comprehensive Income and Expenditure Statement compared with their treatment for funding purposes. These timing differences are reflected in the Movements in Reserves Statement under the line "Adjustments between accounting basis and funding basis under the regulations".

Usable Reserves			
4,005	Capital Reserve		4,005
25	Equalisation Reserve		25
-	General Fund Balance		-
1,806	Other Earmarked Reserves		1,163
3,574	Capital Grants Unapplied		3,514
9,410	Total Usable Reserves	31	8,707
Unusable Reserves			
59,744	Revaluation Reserve		61,588
19,329	Capital Adjustment Account		32,513
(31,990)	Pensions Reserve		(21,907)
43	Deferred Creditors		43
(822)	Collection Fund Adj Account		(815)
(67)	Short-term Accumulated Absences A/C		(89)
88	Available for Sale Reserve		88
46,325	Total Unusable Reserves	32	71,421
55,734	Total Reserves		80,128

Signed

Alison Turner CPFA

31st March 2026

Head of Finance & Resources (Section 151 Officer)

Movement In Reserves Statement

This statement shows the movement in the Council's reserves during the year, distinguishing between **usable reserves**—those that may be applied to fund expenditure or reduce local taxation—and **unusable reserves**, which arise from accounting adjustments and are not available to fund services or reduce local taxation. The statement illustrates how the in-year movements in the Council's reserves are analysed between gains and losses recognised in accordance with generally accepted accounting practices and the statutory adjustments required to determine the amounts chargeable to Council Tax. The net increase or decrease line reflects the movement on the General Fund balance for the year after taking these statutory adjustments into account.

Note	General Fund Balance	Earmarked General Fund Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2024	394	2,385	2,779	4,005	3,475	10,259	42,937	53,196
<i>Movement in Reserves during 2024-25</i>								
Total Comprehensive Income and Expenditure	1,845	-	1,845	-	-	1,845	693	2,538
Transfer of Capital Funding to finance capitalisation 5	3,902	-	3,902	-	-	3,902	-	3,902
Adjustments between accounting basis and funding basis under regulation 5	(6,695)	-	(6,695)	-	99	(6,596)	2,694	(3,902)
Transfers to/(from) Earmarked Reserves 31	554	(554)	-	-	-	-	-	-
<i>Increase/(Decrease) in 2024-25</i>	(394)	(554)	(948)	-	99	(849)	3,387	2,538
Balance at 31 March 2025	0	1,831	1,831	4,005	3,574	9,410	46,324	55,733
<i>Movement in Reserves during 2025-26</i>								
Total Comprehensive Income and Expenditure	17,058	-	17,058	-	-	17,058	7,337	24,395
Transfer of Capital Funding to finance capitalisation 5	4,281	-	4,281	-	-	4,281	-	4,281
Adjustments between accounting basis and funding basis under regulation 5	(21,981)	-	(21,981)	-	(60)	(22,041)	17,760	(4,281)
Transfers to/(from) Earmarked Reserves 31	643	(643)	-	-	-	-	-	-
<i>Increase/(Decrease) in 2025-26</i>	(0)	(643)	(643)	-	(60)	(702)	25,097	24,395
Balance at 31 March 2026	0	1,188	1,188	4,005	3,514	8,707	71,421	80,128

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. It demonstrates how the Council generates and uses cash by classifying cash flows into **operating, investing and financing** activities. Cash flows from operating activities are a key indicator of the extent to which the Council's operations are funded through taxation, grant income and charges for services. Investing activities represent the extent to which cash has been spent on resources that 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 to the Council, including the impact of borrowing and the repayment of debt.

2024-25 £'000		Note	2025-26 £'000
1,845	Net surplus or (deficit) on the provision of services		17,058
(7,412)	Adjust net surplus or deficit on the provision of services for non-cash movements	34	(8,916)
-	Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities	34	(604)
(5,567)	Cash inflows/ (outflows) generated from operating activities		7,538
(36,390)	Investing activities	35	(25,361)
44,468	Financing activities	36	16,794
2,511	Net increase / (decrease) in cash and cash equivalents		(1,029)
5,022	Cash and cash equivalents at the beginning of the year		7,533
7,533	Cash and cash equivalents at the end of the year	27	6,504
2,511	Net increase / (decrease) in cash and cash equivalents		(1,029)

Section 3

Notes to the Accounts

Notes To the Accounts

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the financial year and its financial position at the end of that year. The Accounts and Audit (England) Regulations 2015 require the Council to prepare a Statement of Accounts for each financial year. These accounts are prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2025/26* ("the Code"), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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

The Council's accounting policies have been developed, as far as possible, to ensure that the accounts present information that is understandable, relevant, reliable, free from material error or misstatement, and comparable.

1.2 Accounting Concepts

Except where specified in the Code or by specific legislative requirements, it is the Council's responsibility to select and regularly review its accounting policies to ensure that they are appropriate.

The accounts are prepared in accordance with the following fundamental qualitative characteristics of financial information:

- **Relevance:** ensuring that the information provided is capable of influencing the decisions of users;
- **Reliability:**, so that the information faithfully represents the transactions and events it purports to represent;
- **Comparability:** enabling users to identify similarities and differences between accounting periods and between authorities; and
- **Materiality:** whereby all items that could influence the economic decisions of users are disclosed.

In addition, a number of pervasive accounting concepts are applied in the selection and application of the Council's accounting policies, including:

- **The going concern concept**, under which the accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future;
- **The accruals concept**, which requires income and expenditure to be recognised as they are earned or incurred rather than when cash is received or paid; and
- **Consistency**, ensuring that accounting policies are applied consistently from period to period unless a change is required by the Code or results in more reliable or relevant information.

Going Concern Statement

Underlying Principle:

The Statement of Accounts has been prepared with reference to the objective of demonstrating the stewardship and accountability of elected Members and management for the resources entrusted to them, and on the underlying assumption that the Council is a going concern.

The accounts have been prepared on the basis that the Council's functions will continue in their current or similar form for the foreseeable future. The CIPFA Code of Practice requires local authorities to prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. The accounts assume that the Council will continue to operate and provide services for the foreseeable future.

Financial Context and Assessment

The Council continues to make use of Exceptional Financial Support (EFS), which provides essential flexibility in managing financial pressures. This support has enabled the Council to maintain financial stability and continue service delivery in the short term, including the ability to manage in-year budget pressures.

However, it is recognised that EFS is a temporary measure and does not provide a sustainable long-term solution. The Council is therefore progressing a programme of savings, service transformation, and strengthened financial management arrangements to reduce reliance on such support and restore financial resilience.

This assessment has also taken into account the Council's current financial position, including its cash flow, reserves, medium-term financial strategy, and the enhanced financial governance and monitoring arrangements implemented during the year.

Projected Financial Position

Reserves

After taking account of the approval of EFS, the forecast of usable unrestricted Earmarked Revenue Reserves and the General Fund balance over the period 2025/26 to 2027/28 is summarised in the below table together with the forecast Budget deficit over the medium term.

General fund Balances with EFS	2025/26 £'000s	2026/27 £'000s	2027/28 £'000s
Opening Balance	0	0	690
Contribution to/(from) General Fund	(4,281)	(6,627)	(4,316)
EFS Funding	4,281	7,317	0
Closing Balance GF	0	690	(3,626)
Earmarked Reserves	1,188	1,188	1,188
Total Reserves after Budget Shortfall	1,188	1,878	(2,438)

Capital Strategy

The Council's total Capital Expenditure is estimated to be £22.603m at 31 March 2027, and £14.562m at 31 March 2028. Of the spend in 2026/27, £15.024m is forecast to be financed with borrowing, followed by an estimated £2.694 in 2027/28.

The Capital Financing Requirement (the Council's underlying need to borrow) is estimated to be £285.993m at 31 March 2027, and £285.663m at 31 March 2028. The Capital Strategy 2026/27 is available on the Gloucester City Council's website.

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. 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.

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

Statutory Assurance from the Chief Finance Officer (Section 151 Officer)

Taking account of the above, I am satisfied that the proposed Budget for 2026/27, including the £15.5m (£9.050m relating to 2026/27) Capitalisation Direction, is lawful, robust, and balanced, and can be delivered within the Council's resources.

A significant funding gap remains from 2027/28 onwards, requiring urgent action through substantial savings and increased income. Failure to close this gap is likely to result in continued reliance on Exceptional Financial Support.

Further savings and income generation will therefore be necessary to achieve a sustainable balanced budget in future years.

Conclusion

In conclusion, it is appropriate for the Statement of Accounts to be prepared on a going concern basis. Taking into account the availability of Exceptional Financial Support (EFS), together with the Council's plans to deliver financial recovery and strengthened governance arrangements, the Council is able to maintain sufficient liquidity and financial resilience to meet its obligations as they fall due and to continue delivering statutory and discretionary services for the foreseeable future.

Accruals of Income and Expenditure

The financial statements, other than the Cash Flow Statement, are prepared on an accruals basis. This means that income and expenditure are recognised in the accounting period to which they relate, rather than when cash is received or paid.

In particular:

- Fees, charges and rents due from customers are recognised as income at the date the Council provides the relevant goods or services, in accordance with the performance obligations set out in the contract and IFRS 15 - Revenue Contracts with Customers. These include income streams such as car parking fees, bereavement services fees, planning application fees, commercial rents and building control fees.

- Expenses in relation to services received (including services provided by employees) are recognised as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and interest receivable on investments are accounted for using the effective interest rate method applicable to the relevant financial instrument, rather than based on the contractual cash flows.
- Where income and expenditure have been recognised but cash has not yet been received or paid, a debtor or creditor is recognised in the Balance Sheet for the relevant amount. Where there is doubt over the collectability of debts, the carrying value of debtors is reduced and a charge is made to revenue for the expected non-recovery.
- All income and expenditure is recognised in the Comprehensive Income and Expenditure Statement, unless it represents capital receipts or capital expenditure, which are accounted for in accordance with statutory and accounting requirements.

1.3 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as salaries and wages, paid annual leave and paid sick leave 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, such as 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 measured at the salary rates applicable in the accounting year in which the entitlement was earned. 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. Termination benefits are recognised on an accruals basis and charged to the relevant service line in the Comprehensive Income and Expenditure Statement at the point when the Council can no longer withdraw the offer of those benefits.

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, rather than the amount calculated in accordance with the relevant accounting standards.

Accordingly, appropriations to and from the Pensions Reserve are made through the Movement in Reserves Statement to remove the notional charges and credits for pension enhancement termination benefits, and to replace them with the cash paid to the pension fund and pensioners, including any amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme (LGPS), administered by Gloucestershire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council, and is accounted for as a defined benefit scheme:

- The liabilities of the Gloucestershire Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is 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 earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high-quality (AA-rated) corporate bonds.
- The assets of the Gloucestershire Pension Scheme attributable to the Council are included in the Balance Sheet at their fair value on the following basis:
 - Quoted securities – current bid value.
 - Unquoted securities – professional estimate of fair value.
 - Unitised securities – current bid price.
 - Property – market value.

The change in the net pension liability is analysed into seven components:

- **Current service cost** – the increase in liabilities arising from an additional year of service earned; allocated in the Comprehensive Income and Expenditure Statement to the services for which 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; charged to the Surplus or Deficit on the Provision of Services as part of Non-Distributed Costs.
- **Net interest on the defined benefit liability (obligation)** – the expected change in the present value of liabilities during the year as they move one year closer to being paid; charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Net interest on plan assets** – the expected return on the fund assets attributable to the Council; credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Gains and losses on settlements** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees; charged to the Cost of Services as part of Non-Distributed Costs.
- **Remeasurements of the net defined benefit liability** – changes arising because events have not coincided with assumptions made at the previous actuarial valuation, or because the actuaries have updated their assumptions; charged to the Pensions Reserve.
- **Employer contributions paid to the Gloucestershire pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities.

Statutory provisions limit the amount chargeable to Council Tax to the amount payable by the Council to the pension fund in the year, rather than the amount calculated in accordance with the relevant accounting standards. In the Movement in Reserves Statement this means that appropriations to and from the Pensions Reserve are made to remove the notional charges and credits for retirement benefits, and to replace them with the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

The negative balance on the Pensions Reserve therefore measures the beneficial impact on the General Fund of being required to account for retirement benefits on a cash basis rather than as benefits are earned by employees.

Discretionary Benefits

The Council 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.

1.4 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 the 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 are required to be consumed by the recipient as specified, or that 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 to taxation and non-specific grant income and expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community infrastructure levy

The Council has elected to charge the Community Infrastructure Levy (CIL). CIL is a planning charge levied on new development (chargeable development) granted planning permission within the Council's area. The Council is responsible for issuing liability notices, billing and collecting CIL in accordance with the relevant regulations. CIL income is intended to help fund infrastructure required to support development, including transport, flood defences and schools. As CIL income is received without outstanding conditions, it is recognised in the Comprehensive Income and Expenditure Statement at the commencement date of the chargeable development, in line with the accounting policy for government grants and contributions set out above. CIL receipts are expected to be applied largely to capital expenditure.

1.5 Overheads and Support Services

The costs of overheads and support services are recharged to service areas in line with the Council's arrangements for accountability and financial performance management.

1.6 Council Tax and Non-Domestic Rates Recognition

The collection of Council Tax and Non-Domestic Rates (NDR) is, as set out in the Code of Practice on Local Authority Accounting, in substance an agency arrangement between the billing authority and the major preceptors. The Council is the billing authority; Gloucestershire County Council, the Gloucestershire Police and Crime Commissioner and central government (for NDR) are the major preceptors. The billing authority collects Council Tax and NDR on behalf of the major preceptors and, as principal, also collects its own share.

Billing authorities are required by statute to maintain a separate Collection Fund, which records the collection of Council Tax and NDR and the distribution of amounts due to the billing authority, the major preceptors and central government (for NDR). Under the Collection Fund framework, the billing authority, major preceptors and central government share proportionately the risks and rewards arising from differences between amounts collected and amounts predicted.

Council Tax and NDR income recognised in the Comprehensive Income and Expenditure Statement represents the Council's share of the accrued income for the year. Regulations, however, determine the amounts that must be credited to the General Fund. The difference between the income recognised for accounting purposes and the amounts required by regulation is transferred to the Collection Fund Adjustment Account and shown as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the Collection Fund year-end balances for Council Tax and NDR, including amounts relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

Where these debtor balances are assessed as impaired, because a past event indicates that amounts due under the statutory arrangements are unlikely to be received, the receivable is written down and a charge is made to the Taxation and Non-Specific Grant Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised expected future cash flows.

1.7 Value Added Tax (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.

1.8 Non-Current Assets - Recognition of Capital Expenditure

The Council recognises non-current assets when expenditure is incurred on assets:

- held for use in the production or supply of goods or services, rental to others, or for administrative purposes
- expected to be used for more than one financial period
- where it is expected that the future economic benefits associated with the asset will flow to the Council
- where the cost can be measured reliably.

The initial cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Any costs of dismantling and removing an existing asset and restoring the site on which it is located.

Where an asset is acquired other than by purchase or construction, its cost is taken to be its fair value. Where an asset is acquired through an exchange transaction, the cost is taken to be the carrying amount of the asset given up by the Council.

Donated assets are initially measured at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line in the Comprehensive Income and Expenditure Statement, unless the donation is conditional. Where conditions have not been satisfied, the gain is held in the Donated Assets Reserve. 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 through the Movement in Reserves Statement.

Subsequent 'enhancement' expenditure is treated as capital expenditure where it is probable that the expenditure will increase the value of the asset, extend its useful life, or increase the extent to which the Council can use the asset.

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

- An individual asset with a cost exceeding £6,000 (excluding VAT).
- A group of functionally interdependent assets, under single managerial control, purchased on broadly the same dates, where the total cost exceeds £6,000 and the individual cost of each asset exceeds £250.

Capital assets are held on the Balance Sheet as Non-Current Assets.

1.9 Non-Current Assets - Property, Plant and Equipment (PPE)

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, construction, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis where it is probable that 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 an asset but does not enhance its ability to deliver future economic benefits or service potential (for example, repairs and maintenance) is charged to revenue as incurred.

Measurement

PPE assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

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.

The assets are then carried on the Balance Sheet using the following measurement bases:

- Infrastructure, Community Assets and Assets Under Construction – 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 highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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.

Impairment

At the end of each financial year, the Council reviews its assets to determine whether there is any indication that an asset may be impaired. Where such indications exist and the effect is estimated to be material, the recoverable amount of the asset is estimated. Where the recoverable amount is lower than the carrying amount, an impairment loss is recognised for the difference.

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

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

Where an impairment loss is subsequently reversed, the reversal is credited to revenue (the relevant service line(s) in the Comprehensive Income and Expenditure Statement), up to the amount of the original impairment loss, adjusted for the depreciation that would have been charged had the impairment not been recognised.

Depreciation

Depreciation is charged on all Property, Plant and Equipment assets by allocating their depreciable amount systematically over their estimated useful lives. Depreciation is not charged on assets with an indefinite useful life (for example, freehold land and certain Community Assets) or on assets that are not yet available for use (for example, Assets Under Construction).

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

- Dwellings and other buildings – straight-line over the estimated useful life of the asset, 40 – 60 years.
- Vehicles, plant, furniture and equipment – straight-line over the estimated useful life of the asset, 7 – 10 Years.
- Infrastructure – straight-line over the estimated useful life of the asset, 30 years.

Where an item of Property, Plant and Equipment comprises significant components with substantially different useful lives, the components are identified and depreciated separately.

Revaluation gains are also depreciated. An amount representing the difference between depreciation charged on the current value of an asset and the depreciation that would have been charged on its historical cost is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Contractual Capital Commitments

A contractual capital commitment is where a significant new contract has been agreed during the financial year where a legal agreement has been entered into and cannot easily be backed out of. The Council has a policy that a significant contract value would be £1m or above.

The council doesn't have any Contractual Capital commitments over £1m at the end of 2025-26.

1.10 Non-Current Assets - Heritage Assets

Heritage assets are assets with cultural, environmental or historical significance that are held and maintained principally for their contribution to knowledge and culture, and are intended to be preserved in trust for future generations. The Council holds heritage assets in pursuit of its overall objectives for conserving and managing its heritage. Heritage assets may include historic 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 recognised in the Balance Sheet at their insurance valuation, which is based on market values. Insurance valuations are reviewed and updated annually. Heritage assets are considered by the Council to have indefinite useful lives and therefore no depreciation is charged.

Community assets (including parks, but excluding archaeological sites), cemeteries and crematoria (land only) and allotments, where there are restrictions on alternative uses, are not treated as heritage assets. These assets are accounted for as Community Assets within Property, Plant and Equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment. Any impairment loss is recognised and measured in accordance with the Council's policy on impairment for Property, Plant and Equipment.

In the unlikely event of the disposal of a heritage asset, any proceeds are accounted for on a basis consistent with 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 requirements relating to capital expenditure and capital receipts.

1.11 Non-Current Assets - Investment Property

Investment properties are those held solely to earn rentals and/or for capital appreciation. A property does not meet the definition of an investment property where it is used in any way to facilitate the delivery of services, for the production of goods, or where it is classified as held for sale.

Investment properties are initially recognised at cost and are subsequently measured at fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. As non-financial assets, investment properties are measured based on their highest and best use. Investment properties are not depreciated but are revalued annually to reflect market conditions at the balance sheet date. Gains and losses arising from revaluation are recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. The same treatment applies to gains and losses arising on disposal.

Rental income received from investment properties is credited to the Financing and Investment Income and Expenditure line and results in a gain for the General Fund balance. However, in accordance with statutory requirements, revaluation gains and losses and gains and losses on disposal are not permitted to impact the General Fund balance. These amounts are therefore reversed out of the General Fund through the Movement in Reserves Statement and transferred to the Capital Adjustment Account. Disposal proceeds in excess of £10,000 are credited to the Capital Receipts Reserve.

1.12 Non-Current Assets - Intangible Assets

Expenditure on assets that do not have physical substance and which are controlled by the Council through custody or legal rights (for example, software licences) is capitalised where it is expected to generate future economic benefits or service potential for the Council for more than one financial year.

Internally generated intangible assets are capitalised only where it can be demonstrated that the project is technically feasible, that the Council intends and has adequate resources to complete the asset, that the asset will generate future economic benefits or service potential through use or sale, and that expenditure attributable to the development phase can be reliably measured.

Intangible assets are initially measured at cost. Subsequent revaluation is permitted only where fair value can be determined by reference to an active market; in practice, no intangible assets held by the Council meet this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised on a systematic basis over its useful economic life and charged to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Intangible assets are reviewed for impairment where there is an indication that the asset may be impaired, with any impairment losses charged to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Gains or losses arising on the disposal or abandonment of intangible assets are recognised within Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure under statutory provisions, amortisation, impairment losses and gains or losses on disposal are not permitted to impact the General Fund Balance. These amounts are therefore reversed out of the General Fund through the Movement in Reserves Statement and transferred to the Capital Adjustment Account. Disposal proceeds in excess of £10,000 are also credited to the Capital Receipts Reserve in accordance with statutory requirements.

1.13 Non-Current Assets – Disposals and 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, the asset is reclassified as an Asset Held for Sale. Assets are classified as held for sale where they are available for immediate sale in their present condition and the sale is highly probable. This is evidenced by the asset being actively marketed for sale, a buyer being sought, and completion of the sale expected within twelve months of the balance sheet date.

Except where assets are carried at (depreciated) historical cost, an asset is revalued immediately prior to reclassification as held for sale, using the measurement basis applicable to its existing asset category. Following reclassification, assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Subsequent increases in value are recognised only to the extent that they reverse previous losses charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement, with any remaining gain recognised in the Revaluation Reserve. Any losses in value are charged to the Surplus or Deficit on the Provision of Services, even where a balance exists for the asset in the Revaluation Reserve.

Where an asset no longer meets the criteria to be classified as held for sale, it is reclassified as a non-current asset (Property, Plant and Equipment, Investment Property or Heritage Asset, as appropriate) and measured at the lower of its carrying amount prior to classification as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had it not been classified as held for sale) and its recoverable amount at the date the decision not to sell is made.

On disposal or decommissioning, the carrying amount of an asset (whether Property, Plant and Equipment, Heritage Asset or Asset Held for Sale) is written off to the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Disposal proceeds are credited to the same line and netted against the carrying value of the asset at the time of disposal. Any accumulated revaluation gains relating to the asset are transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposal proceeds in excess of £10,000 are classified as capital receipts. The full balance is credited to the usable Capital Receipts Reserve and may be applied only to finance capital expenditure or to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Capital receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance through the Movement in Reserves Statement.

The written-down value of assets disposed of does not impact Council Tax, as the cost of non-current assets is provided for through capital financing arrangements. These amounts are

therefore reversed out of the General Fund Balance and transferred to the Capital Adjustment Account via the Movement in Reserves Statement.

1.14 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the financial year that may be capitalised under statutory provisions, but which does not result in the creation or enhancement of a non-current asset, is charged to the relevant service revenue account in the year in which it is incurred.

Where the Council determines that such expenditure is to be financed from capital resources (including borrowing, capital receipts or capital grants), the amounts charged to the General Fund are reversed out through the Movement in Reserves Statement and transferred to the Capital Adjustment Account. This ensures that there is no impact on the General Fund Balance or on the level of Council Tax.

1.15 Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to reflect the cost of holding and using non-current assets during the year:

- depreciation of property, plant and equipment used by the relevant service;
- amortisation of intangible assets used by the service; and
- revaluation and impairment losses where there are no accumulated gains in the Revaluation Reserve against which such losses can be charged.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. Instead, in accordance with statutory requirements, the Council is required to make an annual provision from revenue, known as the Minimum Revenue Provision (MRP), towards the reduction of its overall borrowing requirement. The MRP is calculated on a prudent basis in line with statutory guidance.

Accordingly, the above charges to the General Fund are reversed out through the Movement in Reserves Statement and replaced with a contribution to the Capital Adjustment Account equal to the MRP. This adjustment ensures that depreciation, revaluation and impairment losses, and amortisation do not impact the General Fund Balance, with only the statutory MRP charge affecting Council Tax.

1.16 Leases

Leases are classified as finance leases where the terms of the arrangement transfer substantially all of 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 includes both land and buildings, the land and buildings elements are considered separately for the purposes of classification.

Arrangements that do not have the legal form 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 upon the use of specific assets.

The Council as lessee

Finance leases

The Council adopted IFRS 16 (Leases) with effect from 1 April 2024. The main impact of the requirements of IFRS 16 is that, for arrangements previously accounted for as operating leases, a right-of-use asset and a lease liability are now included on the balance sheet from 1 April 2024.

The Council does not hold any material finance leases as a Lessee and so no adjustment has been made to the Statement of Accounts.

Property, plant and equipment held under finance leases is recognised on the Balance Sheet as a right-of-use asset 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 authority 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 right-of-use-asset– applied to write down the lease liability, and
- a finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).
- Contingent rents not reflected in the calculation of the lease liability – debited to the relevant service line in the CIES

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as lessor

Finance leases

Where the Council grants a finance lease over a property or 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 receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), 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 lease asset is to be settled by the payment of rentals in future financial years, this is

posted out of the General Fund balance to the Deferred Capital Receipts Reserve 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. 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.

1.17 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 (CIES) 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 CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, 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 CIES to the net charge required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

Financial assets

Under IFRS 9 the Council's financial assets are classified into three types based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

The Council holds financial assets measured at:

- Amortised Cost – where payments consist solely of principal and interest and the reason for holding is to collect cash flows;
- Fair Value through Profit or Loss (FVPL) - where payments do not consist solely of principal and interest;
- Fair Value through Other Comprehensive Income (FVOCI) – where payments do not consist solely of principal and interest but where the authority has designated the instrument as Fair value through OCI.

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are

not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

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

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the financing and investment income and expenditure line in the CIES.

Expected credit loss model

The Council 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 Council 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.

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).

1.18 Fair Value Measurement

The Council measures certain non-financial assets (Surplus Assets, Investment Property and Assets Held for Sale) and its Fair value through OCI and Fair value through P&L financial assets at fair value at the balance sheet date, unless there is no material difference between carrying value and fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. In the case of a non-financial asset, the authority takes into account the market participants' ability to use the asset in its 'highest and best use' or by selling it to another market participant that would use the asset in its 'highest and best use'.

Inputs to the valuation techniques used in measuring fair value are categorised within the fair value hierarchy as follows:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 - directly or indirectly observable inputs other than quoted prices
- Level 3 - unobservable inputs for the asset or liability.

1.19 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.

1.20 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 no more than 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.

1.21 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 met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

1.22 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, where material, disclosed in a note to the accounts.

1.23 Reserves

The Council sets aside specific amounts as usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from 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 revenue account in that year to form part of the Surplus or Deficit 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 in that year.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and they do not represent usable resources for the Council – these reserves are known as Unusable Reserves.

1.24 Contingent Assets

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

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

1.25 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change made has a material effect, 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.

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

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

1.27 Estimation Techniques

Estimation techniques are the methods adopted to assess the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their precise value. Unless specified in the Code or in legislative requirements, the method of estimation will generally be the one that most closely reflects the economic reality of the transaction.

1.28 Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council, together with other organisations, involving the shared use of the assets and resources of the organisations, rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and charges or credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Such operations, not being separate entities, are accounted for in the Council only accounts and are not separate entities for Group Account purposes.

1.29 Interests in Companies and Other Entities – Group Accounts

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

In the Council's own single-entity accounts the interests in companies and other entities are recorded as financial assets at cost (if any), less any provision for losses.

Basis of Consolidation

The group accounts bring together the Council's own accounts with those of wholly owned KQ Hotel Management Company No.2 Ltd and Gloucestershire Airport Limited, in which the Council has a 50% shareholding.

The Council has 100% shareholding in KQ Hotel Management Company No.2 Ltd. The company was established to operate the Council-owned hotel at The Forum development. As the Council has control over the company, it is treated as a subsidiary and is fully consolidated within the Group Accounts from the date control commenced. Inter-organisation transactions and balances have been excluded upon consolidation.

Gloucestershire Airport Limited has been treated as a Joint Venture since it is jointly owned and controlled with Cheltenham Borough Council. Gloucestershire Airport Limited has therefore been consolidated with 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.

The Council also has a 12.5% shareholding in Ubico Limited, a local authority owned company which has eight members, providing environmental services to the shareholder Councils. Since the Council does not have control or significant influence over the company, its accounts are not consolidated into the group accounts, however all key information has been provided.

Accounting Policies

The financial statements in the group accounts are prepared in accordance with the policies set out above, with the following additions and exceptions:

Gloucestershire Airport Limited

The financial statements of the Airport have been prepared under the historic cost convention (except for certain items that are shown at fair value) in accordance with Financial Reporting Standard 102 (FRS102).

Since Investment Property and Property, Plant and Equipment (PPE) assets held by the airport have been valued at fair value no adjustments are required to the value of non-current assets on consolidation with the Council's accounts. Unlike in the airport accounts, however, where any gains in value over historic cost are credited to the Profit & Loss Account, such gains are credited in the group accounts to the Revaluation Reserve (for PPE assets) and the Capital Adjustment Account via the Group Income and Expenditure Statement (for Investment Property), in line with the Council's accounting policies.

1.30 Subsidiary

Subsidiaries are entities over which the Council has control. Control exists when the Council

- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to use its power over the entity to affect the amount of those returns.

The following subsidiary has been consolidated into the Group Accounts:

Entity name	KQ Hotel Management Company No.2 Ltd
Nature of Business	Hotel Operations
Ownership	100%
Consolidation method	Full Consolidation
Date Operations Commenced	24 March 2026

Subsidiary Accounting Period

The subsidiary's financial statements have been prepared to the same reporting date as the Council (31 March). As the hotel commenced operations on 24 March 2026, the 2025/26 Group Accounts include only 7 days of trading activity. Expenditure incurred prior to this date represents pre-trading preparatory costs.

Accounting Policies

The subsidiary applies accounting policies consistent with those of the Council. Where any differences exist, adjustments have been made to align the subsidiary's accounts with Council policies for consolidation purposes.

Intra-Group Transactions

All transactions between the Council and its subsidiary, and any resulting balances, have been eliminated in full in consolidation. This includes:

- Any loans or funding provided by the Council to the subsidiary;
- Any charges for services between the Council and subsidiary;
- Any dividends or distributions.

2. Changes In Accounting Policy and Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified. There is also the requirement for an authority 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.

There are no accounting standards that have yet to be adopted that are expected to have a material impact on the statement of accounts.

3. Critical Judgements Used in Applying Accounting Policies

In applying the accounting policies set out in the Notes to The Accounts, the Council has had to make certain judgements about complex transactions or those which may be uncertain depending on future events.

Leases

Leases have been classified in accordance with the IFRS criteria. In making these assessments the Council has deemed all existing lessor leases (with the exception of the leases of vehicles and plant to Ubico Limited) as being operating leases.

The leases of vehicles and plant to Ubico have been classified as finance leases. Ubico pay market rate for the use of the vehicles and are responsible for insuring and maintaining the vehicles/plant and determining their deployment (including use across other Ubico contracts where necessary). The company pays for new vehicles/plant over periods of 3 - 8 years, according to the estimated useful economic life of the assets. The leases have been treated as finance leases since i) the sum of the lease payments is equal the cost of purchasing the assets; ii) the length of the term represents 'substantially all' of the useful life of the assets; and iii) the rights and responsibilities of ownership of the assets (maintenance, insurance, deployment) sit with the company.

Non-Domestic Rates (NDR) Appeals Provision

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the Non-Domestic Rates (NDR) generated in their area. The new arrangements for the retention of Non-Domestic Rates (NDR) came into effect on 1 April 2013. From this date district councils such as Gloucester assume a share of the liability for refunding ratepayers as a result of successful appeals and other reductions made by the Valuation Office in the rateable values on the rating list. A successful appeal or other reduction may mean the Council having to refund Non-Domestic Rates (NDR) paid in previous years. The Council has therefore set aside a provision to cover its share of the repayments it estimates will be made and made a judgement as to the timescale over which they are likely to be repaid.

The provision is based on the expected success rate of appeals lodged at the year end, together with an estimated reduction in the rating list, based on historical experience.

Pension Liability

The Council's pension liability decreased during the year from £31.990 million to £21.907 million, a decrease of £10.083 million. In the preparation of the Statement of Accounts, an asset ceiling report was commissioned to allow management to assess how the balance should be recognised and disclosed in the accounts. Based on the information in this report, the pension asset has been de-recognised and offset against the pension reserve. This is because there are not judged to be future economic benefits from the asset which would flow to the Council.

Group Accounts

In assessing the need for group accounts, the Council has had to make judgements to establish the boundaries of the group (deciding which organisations over which it has or does not have a controlling or significant interest), and judgements as to the classification of group entities (as subsidiaries, associates or joint ventures). Further details are given in the Group Accounts section on page 93.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items on the Council's Balance Sheet at 31st March 2026 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
Valuation of non-current assets	<p>In the period post pandemic recovery, the pressures of rising inflation and interest rates have had a significant impact on the valuation of non-current assets and the property market as a whole.</p> <p>For those assets valued on an Existing Use Value, the impact of both the pandemic and rising rental costs have also increased uncertainty about potential rental yields.</p>	<p>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. The carrying value of assets in the accounts is based upon the economic assumptions applicable at the 31st March 2026. A change in market rent estimates would result in a change to the carrying values as the rental yield figures change.</p> <p>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.</p>
Property, Plant and Equipment	<p>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.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings (including Council dwellings), vehicles, plant and equipment, Infrastructure and surplus assets would increase by £1.164 million for every year that useful lives had to be reduced.</p>
Pensions Liability	<p>Estimation of the net liability or asset 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.</p>	<p>The effects on the net pensions' asset or liability of changes in individual assumptions can be measured. For example, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of approximately 1% (£2.074 million). A sensitivity analysis is included in Note 33.</p> <p>The impact of the continuing economic uncertainties on the value of the pension liability is somewhat offset by its current status as an asset, minimising the financial risk to the Council.</p>
Non-domestic rates appeals provision	<p>This provision has been set up to meet losses arising from the successful appeal of businesses against the rateable value of their properties and other rateable value reductions. The provision is based on an expected success rate of appeals submitted at 31st March and on an estimated reduction in rateable value. Although based on past experience, both the actual success rate and actual reduction may differ from the estimate.</p>	<p>For appeals and other rateable value reductions relating to charges from 1st April 2023, a 1% increase in the estimated rateable value reduction would result in an increase in the estimated provision required of £136k of which the Council's share would be £54k (based on 2025/26 shares).</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Arrears	At 31 st March 2026, the Council had a balance of sundry debtors of £2.582 million. A review of the aged debt profile and recovery percentages suggested that an allowance for doubtful debts of approximately 36.6% is appropriate.	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 £26k.

5. Adjustments Between Accounting and Funding Basis Under the Regulations

This note details the adjustments that have been made to Total Comprehensive Income and Expenditure so that it equals the resources which, under statutory provisions, are available to meet future capital and revenue expenditure. The following describes the major reserves and the adjustments made to each reserve:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a 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 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 statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) 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 Reserve

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.

2025/26	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments to the Revenue Resources				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Reversal of Entries included in the surplus or deficit on the provision of services in relation to capital expenditure (charged or credited to the Capital Adjustment Account)				
Charges for depreciation, amortisation, and impairment of non-current assets	6,516	-	-	6,516
Revaluation losses on Property, Plant and Equipment and assets held for sale	-	-	-	-
Movement in the fair value of investment property	(15,862)	-	-	(15,862)
Capital Grants and Contributions	(5,492)	-	(60)	(5,552)
Revenue expenditure funded from capital under statute	1,661	-	-	1,661
Revenue expenditure funded from capital under statute - Exceptional Financial Support	4,281	-	-	4,281
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	-	-	-	-
Pension Costs (transferred to or from Pensions Reserve)	(6,973)	-	-	(6,973)
Financial instruments transferred from the Financial Instruments Adjustment Account	-	-	-	-
Fair value gains and losses of Pooled Investment Funds	-	-	-	-
Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account	(7)	-	-	(7)
Holiday Pay transferred to the Accumulated Absences Account	22	-	-	22
Revenue financing of capital expenditure	-	-	-	-
Capital Grants Repaid	-	-	-	-
Total Adjustments to Revenue Resources	(15,854)	-	(60)	(15,914)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	-	-	-	-
Administrative costs of non-current asset disposals funded by capital receipts	-	-	-	-
Statutory and voluntary provision for the repayment of debt transferred to the Capital Adjustment Account	(1,846)	-	-	(1,846)
Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	-	-	-	-
Repayment of prior year CFR	-	-	-	-
Amortisation of premiums and discounts	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(1,846)	-	-	(1,846)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-
Application of capital grants and contributions to fund capital expenditure	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
Capital Loans repaid	-	-	-	-
Total adjustments to Capital Resources	-	-	-	-
Total adjustments between Accounting and Funding basis under the regulation	(17,700)	-	(60)	(17,760)

2024/25	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total £'000
Adjustments to the Revenue Resources				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Reversal of Entries included in the surplus or deficit on the provision of services in relation to capital expenditure (charged or credited to the Capital Adjustment Account)				
Charges for depreciation, amortisation, and impairment of non-current assets	6,581	-	-	6,581
Revaluation losses on Property, Plant and Equipment and assets held for sale	-	-	-	-
Movement in the fair value of investment property	-	-	-	-
Capital Grants and Contributions	(9,288)	-	99	(9,190)
Revenue expenditure funded from capital under statute	1,980	-	-	1,980
Revenue expenditure funded from capital under statute - Exceptional Financial Support	3,902	-	-	3,902
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	-	-	-	-
Pension Costs (transferred to or from Pensions Reserve)	(4,568)	-	-	(4,568)
Financial instruments transferred from the Financial Instruments Adjustment Account	-	-	-	-
Fair value gains and losses of Pooled Investment Funds	-	-	-	-
Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account	173	-	-	173
Holiday Pay transferred to the Accumulated Absences Account	21	-	-	21
Revenue financing of capital expenditure	-	-	-	-
Capital Grants Repaid	-	-	-	-
Total Adjustments to Revenue Resources	(1,199)	-	99	(1,101)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	-	-	-	-
Administrative costs of non-current asset disposals funded by capital receipts	-	-	-	-
Statutory and voluntary provision for the repayment of debt transferred to the Capital Adjustment Account	(1,593)	-	-	(1,593)
Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	-	-	-	-
Repayment of prior year CFR	-	-	-	-
Amortisation of premiums and discounts	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(1,593)	-	-	(1,593)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-
Application of capital grants and contributions to fund capital expenditure	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
Capital Loans repaid	-	-	-	-
Total adjustments to Capital Resources	-	-	-	-
Total adjustments between Accounting and Funding basis under the regulation	(2,792)	-	99	(2,694)

6. Events After the Reporting Period

This Statement of Accounts was authorised for issue by the Section 151 Officer on 31st March 2026. 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 31st March 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Other Operating Expenditure

	2025/26 £000	2024/25 £000
Parish Precepts	294	285
Revaluation losses arising on revaluation of assets	563	-
Net (Gains) / losses on disposal of non-current assets	(675)	-
Total Other Operating Expenditure	182	285

8. Financing and Investment Income (and Expenditure)

	2025/26 £000	2024/25 £000
Interest payable and similar charges	4,819	4,390
Net interest on the net defined benefit liability/(asset)	(3,176)	(1,186)
Interest and investment income received	(754)	(717)
Income and expenditure on investment properties and changes in their fair value	(15,969)	-
Net Financing and Investment (Income) and Expenditure	(15,080)	2,487

9. Taxation and Non-Specific Grant Income (and Expenditure)

	2025/26 £000	2024/25 £000
Council Tax income	9,637	9,372
Non -Domestic Rates income	5,025	3,250
Government grants received	2,912	4,389
Capital grants and contributions received	5,434	8,458
	23,008	25,469

10. Members' Allowances

In 2025/26 the Council paid £437,474 (2024/25: £418,599) in allowances to its 39 members. The expenditure reflects members' allowances approved by Council for 2025/26. Full details of the Members' Allowances scheme for the year can be found on the Council's website.

11. Officers' Remuneration

Senior Officers whose salary is equal to or more than £50,000 per annum:

2025/26

Post Title	Salary	Expenses/ Allowances	Total Remuneration excl. pensions contributions	Pension Contributions	Total Remuneration incl. pension contributions
	£	£	£	£	£
Managing Director	135,350	-	135,350	25,887	161,237
Director of Communities	109,831	-	109,831	19,401	129,232
Director of Place	99,573	-	99,573	17,442	117,015
Total	344,754	-	344,754	62,729	407,483

2024/25

Post Title	Salary	Expenses/ Allowances	Total Remuneration excl. pensions contributions	Pension Contributions	Total Remuneration incl. pension contributions
	£	£	£	£	£
Managing Director	131,153	-	131,153	25,052	156,205
Director of Communities	100,331	-	100,331	18,782	119,112
Director of Place	86,048	-	86,048	17,124	103,172
Total	317,532	-	317,532	60,957	378,489

Notes:

For the purposes of this disclosure 'Senior Officer' means Chief Executive, their direct reports and Statutory Chief Officers whose salary is between £50,000 and £150,000.

The number of other employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was:

Remuneration Band	No of Employees 2025-26	No of Employees 2024-25
£50,000 - £54,999	5	9
£55,000 - £59,999	5	3
£60,000 - £64,999	3	3
£65,000 - £69,999	3	-
£70,000 - £74,999	2	2
£75,000 - £79,999	3	3
£80,000 - £84,999	1	3
£85,000 - £89,999	2	0
Total	24	23

12. Termination Benefits

There were no termination benefits paid in either 2025/26 or 2024/25.

13. Related Party Transactions

The Council is required to disclose material transactions with related parties. A related party relationship exists only where there is an element of control or significant influence by one party over another, or where a third-party exercises control or significant influence over both parties. The most common form of influence is representation on a board or other governing body, but influence may also arise through an ownership interest, statutory provisions or contractual agreement. This note summarises the transactions in 2025/26 with related parties of the Council, including those involving its Members and Senior Officers.

Central Government

The UK Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework and legislation within which the Council operates, provides a large proportion 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). Grants received from government departments are shown in note 15 on page 56.

Council Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2025/26 is shown in note 10 on page 53. Members complete an annual declaration to report any business interests on an annual basis. Only one Member has declared an interest where control and influence may be exercised within an outside commercial organisation in which the Council has transacted in 2025/26.

Other public bodies (subject to common control by central government)

The Council collects precepts on behalf of Gloucestershire County Council, the Gloucestershire Police and Crime Commissioner and the Parish Councils within the borough. Precepts for the County and the Gloucestershire Police and Crime Commissioner are shown in the Collection Fund on page 89.

Other Related parties

Hotel

The Council has a 100% shareholding in the KQ Hotel Management Company No.2 Ltd. The accounts are consolidated into the Group Accounts.

Gloucestershire Airport Limited

The Council has a 50% shareholding in Gloucestershire Airport Limited. The airport's accounts will be consolidated into the Group Accounts.

No rental income was charged by the Council in the year (2024/25: £37,951). The temporary overdraft facility that was provided was not drawn down on in the year, leaving the overdraft as at 31 March 2026 at £2,200,000. Two further small capital loans totalling £165,000 were loaned to them in October 2020, with £0 paid in 2025/26, the outstanding amount is £116,000.

A new capital loan facility was added in 2021/22 for the runway project which amounted to £2.3 million. A further loan was added in 2022/23 for £3.11. Further loans were added between 2023 to 2026 bringing the total at March 2026 to £6.471 million.

Ubico Limited

Ubico Limited delivers environmental services for eight councils. Gloucester City Council holds an equal 1/8th shareholding in the company.

The company provides services to the shareholder councils on a not-for-profit basis and therefore qualifies for the Teckal exemption (named after the EU case that established the principle). As a Teckal company, Ubico Limited must ensure that the percentage of work undertaken outside of the shareholder contracts is less than 20% of its total activity.

The Council procured supplies and services totalling £10.668 million from Ubico Limited in the year (£10.005 million in 2024/25), £0.717 million (£1.475 million in 2024/25) of which is included in the Council's balance sheet as a short term creditor at the year end. The company procured supplies and services from the Council totalling £1.702 million in the year (£1.385 million in 2024/25), £2.149 million (£2.460 million in 2024/25) of which is included in the Council's balance sheet within the short term debtor at the year end. A Management Agreement is in place between the two parties for the provision of services to the Council. Services were provided to Ubico Limited in line with our financial regulations.

Vehicles and plant used by Ubico to provide environmental services in the borough are initially purchased by the council and then leased to the company in the year of purchase under a finance lease arrangement. At 31st March 2026 the amount owing to the Council under these leases totalled £3.259 million (£4.628 million at 31st March 2025). The leases are disclosed in note 23 on page 65.

14. External Audit Costs

	2025/26 £'000	2024/25 £'000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor	(200)	(195)
Fees paid to the External Auditor for the certification of grant claims and returns	(42)	(50)
	(242)	(245)

15. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	2025-26	2024-25
	£'000	£'000
Credited to Other Income and Expenditure		
New Homes Bonus	97	811
Section 31 Business Rates compensation grants	2,912	4,389
Capital Grants and Contributions	5,492	9,288
Other grants and contributions	1,346	9,251
	9,847	23,739
Credited to Services		
Homelessness and other housing	6,190	2,398
Mandatory Rent Allowances	28,580	31,069
Rent Rebates	764	638
Community Grants	-	46
Other	1,456	1,864
	36,990	36,014

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them which have yet to be met. The balances at the year-end are as follows:

	2025-26	2025-26	2024-25	2024-25
	Current	Long Term	Current	Long Term
	£'000	£'000	£'000	£'000
Receipts in Advance – Revenue				
Asylum Dispersal Grant	530	-	180	-
DEFRA Air Quality Grant	13	-	-	-
MHCLG -Cyber Assurance Framework Grant	64	-	-	-
MHCLG Redmond Review Implementation	25	-	-	-
Renter's Rights Act	27	-	-	-
Planning Grants	178	-	-	-
SHIP Grant	142	-	17	-
	979	-	197	-
Receipts in Advance – Capital				
S106 Grants	-	1,910	-	3,679
Government grants	-	13,443	-	3,147
Other grants and contributions	3,514	-	3,573	-
	3,514	15,353	3,573	6,826

16. Segmental Reporting

Expenditure & Funding Analysis

The objective of the Expenditure and funding Analysis is to demonstrate to Council tax and rent payers how the funding available to the 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.

	2025/26					Net Expenditure in the Comprehensive Income and Expenditure Statement
	Net Expenditure Chargeable to the General Fund Balance	Adjustments for Capital Items	Pensions Adjustment	Other Adjustments	Total Adjustments	
	£'000	£'000	£'000	£'000	£'000	
Communities	9,228	(1,665)	158	294	(1,213)	10,441
Finance and Resources	1,030	(35)	183	(632)	(484)	1,514
Transformation and Commissioning	4,688	(175)	67	-	(108)	4,796
Culture and Leisure	1,944	(28)	85	(5)	52	1,892
Place	(274)	(5,379)	69	4,056	(1,254)	980
Senior Management	1,256	-	31	-	31	1,225
Net Cost of Services	17,872	(7,282)	593	3,711	(2,978)	20,848
Other Income and Expenditure	(17,229)	14,968	3,176	2,533	20,677	(37,906)
(Surplus) or Deficit	643	7,686	3,769	6,246	17,701	(17,058)
Opening General Fund balance including earmarked reserves at 1st April	1,831					
Less: (Surplus) / deficit in year	(643)					
Closing General Fund balance including earmarked reserves at 31 March	1,188					

Note to the Expenditure and Funding Analysis

	2024/25					Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
	Net Expenditure Chargeable to the General Fund Balance	Adjustments for Capital Items	Pensions Adjustment	Other Adjustments	Total Adjustments	
	£'000	£'000	£'000	£'000	£'000	
Communities	8,623	(1,217)	(38)	(60)	(1,315)	9,939
Finance and Resources	1,036	(281)	(23)	(173)	(477)	1,513
Transformation and Commissioning	4,291	(865)	(19)	-	(884)	5,174
Culture and Leisure	2,244	(17)	7	(144)	(154)	2,398
Place	(693)	(4,192)	(15)	3,089	(1,118)	425
Senior Management	1,397	-	(7)	-	(7)	1,404
Net Cost of Services	16,898	(6,572)	(95)	2,712	(3,955)	20,852
Other Income and Expenditure	(15,950)	(1,988)	1,186	7,550	6,748	(22,698)
(Surplus) or Deficit	948	(8,560)	1,091	10,262	2,793	(1,845)
Opening General Fund balance including earmarked reserves at 1st April	2,779					
Less: (Surplus) / deficit in year	(948)					
Closing General Fund balance including earmarked reserves at 31 March	1,831					

Notes

(1) **Adjustments for capital purposes** – this column adds in revaluation gains/losses on Property, Plant and Equipment, capital grants repaid and Revenue Expenditure Funded from Capital under Statute (REFCUS) in the service lines and for:

- Other Operating Expenditure – adds gains/losses on disposals of Property, Plant and Equipment
- Financing and Investment Income and Expenditure – the statutory charges for capital financing and revenue financing of capital expenditure are deducted as these are not chargeable under generally accepted practices, and changes in the fair value of Investment properties are added.
- Taxation and Non-specific Grant Income and Expenditure – this line is credited with capital grants and donations receivable in the year which have no conditions or for which conditions were satisfied in the year.

Depreciation and amortisation charges are included in the service lines in the Net Expenditure chargeable to the General Fund column of the Expenditure and Funding Analysis (as they are included in reports to management), but then (in the case of the General Fund) reversed out in Other Income and Expenditure so they have no impact on Council tax. The reversal is removed in the Other Income and Expenditure line in the adjustments for capital purposes column above to ensure such charges are included in the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.

(2) **Net change for the Pensions Adjustments**

- for services - the removal of employer pension contributions and their replacement with current and past service costs
- for Financing and Investment Income and Expenditure – the addition of net interest on the pensions defined benefit liability.

(3) **Other Differences**

- for Financing and Investment Income and Expenditure – adjustments to the general fund for timing differences in premiums and discounts on financial instruments and for changes in the fair value of pooled investment funds
- for Taxation and Non-specific Grant income and Expenditure – timing differences between the income for Council tax and non-domestic rates (NDR) credited under statutory regulations and that recognised under generally accepted accounting practice.
- for services – accruals for holiday pay.

17. Expenditure and Income Analysed by Nature

	2025-26 £'000	2024-25 £'000
Expenditure		
Employee benefit expenses	(21,077)	(14,992)
Other service expenses	(60,531)	(61,395)
Depreciation, amortisation, impairment	(8,177)	(6,564)
Losses on revaluation of PPE, investment property, and financial assets	(174)	-
Interest payments	(6,032)	(5,710)
Precept and Levies	(294)	(285)
Total Expenditure	(96,285)	(88,946)
Income		
Fees charges and services income	75,687	58,489
Interest and investment income	4,389	2,506
Gains on revaluation of PPE, investment property, and financial assets	682	-
Income from council tax and NNDR	14,672	12,627
Grants and Contributions	17,913	17,169
Total Income	113,343	90,791
(Surplus) or Deficit on the Provision of Services	17,058	1,845

18. Property, Plant & Equipment

	2025-26						2025-26
	Other Land and Buildings	Vehicles, Plant, and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	Surplus Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April	94,977	22,347	19,642	7,521	123,687	268,174	596
Assets W/Off	-	-	-	-	-	-	-
Revised Total At 1 April 2025	94,977	22,347	19,642	7,521	123,687	268,174	596
Additions	6,213	3,515	1,264	215	24,655	35,862	228
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(343)	-	-	-	-	(343)	5
Derecognition - Disposals	(427)	-	-	(66)	-	(493)	-
Assets reclassified	101,145	-	-	-	(101,145)	-	-
At 31 March 2026	201,565	25,862	20,906	7,670	47,197	303,200	829
Accumulated Depreciation and Impairment							
At 1 April 2025	5,081	12,142	8,305	473	-	26,001	8
Reversal of In Year Depn Adjust	-	-	-	-	-	-	-
Assets W/Off	-	-	-	-	-	-	-
Depreciation charge	3,691	1,580	666	285	-	6,222	5
Depreciation written out to the Revaluation Reserve	(4,362)	-	-	-	-	(4,362)	-
Derecognition - Disposals	(19)	-	-	-	-	(19)	-
At 31 March 2026	4,391	13,722	8,971	758	-	27,842	13
Net book value as at 31 March	197,174	12,140	11,935	6,912	47,197	275,358	816

	2024-25						2024-25
	Other Land and Buildings	Vehicles, Plant, and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	Surplus Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2024	98,366	19,530	16,404	5,485	95,732	235,517	576
Transitional Adjustment: RoU(IFRS16)	(10,093)	-	-	-	-	(10,093)	-
Revised Cost At 1 April	88,273	19,530	16,404	5,485	95,732	225,424	576
Additions	6,704	2,817	3,238	2,036	27,955	42,750	20
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	-	-	-	-	-
Assets reclassified	-	-	-	-	-	-	-
At 31 March 2025	94,977	22,347	19,642	7,521	123,687	268,174	596
Accumulated Depreciation and Impairment							
At 1 April 2024	1,732	10,110	7,769	383	-	19,994	2
Depreciation charge	5,606	2,032	536	90	-	8,264	6
Depreciation written out to the Revaluation Reserve	(2,257)	-	-	-	-	(2,257)	-
Derecognition - Disposals	-	-	-	-	-	-	-
At 31 March 2025	5,081	12,142	8,305	473	-	26,001	8
Net book value as at 31 March 2025	89,896	10,205	11,337	7,048	123,687	242,173	588

Revaluations

The Council has undertaken asset valuations of all significant Property, Plant and Equipment required to be measured at current value during the year with the exception of Heritage assets. 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 valuation date of 31st March 2026. The External consultants who provided the valuations in 2025/26 were Link Group and Bruton Knowles.

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.

19. 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 two museums, The Museum of Gloucester and The Folk, 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, adds 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 its 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. A detailed breakdown of the carrying values of the Council's heritage assets are shown below:

	Furniture	Art	Horological Instruments	Numismatics (including Tokens, Coins, Seals & Dyes)	Books	Civic Regalia & Silver	Miscellaneous	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valuation								
01 April 2024	273	1,848	309	1,913	143	1,536	1,014	7,035
Revaluations	-	-	-	-	-	-	7	7
31 March 2025	273	1,848	309	1,913	143	1,536	1,021	7,042
Revaluations	-	-	-	-	-	-	-	-
31 March 2026	273	1,848	309	1,913	143	1,536	1,021	7,042

All the major heritage assets were last professionally revalued at 1st April 2010. However, the insurance valuations are reviewed annually for inflationary increases. Unlike a building, art and other heritage assets do not attract standard inflationary increases.

20. Current Assets Held for Sale

	2025-26 £'000	2024-25 £'000
Assets held for sale at 1 April	4,500	4,500
Property, plant and equipment newly classified as held for sale	-	-
Revaluation losses	(614)	-
Assets sold	-	-
Assets held for sale at 31 March	3,886	4,500

21. Capital Expenditure and Financing

The total amount of capital expenditure incurred (investment made) in the year is shown in the table below, together with the resources used to finance it.

	2025-26 £'000	2024-25 £'000
Opening Capital Financing Requirement	238,315	202,317
Capital Investment		
Property, plant and equipment	35,862	40,970
Investment Properties	216	7
Intangible Assets	228	20
Revenue Expenditure Funded from Capital under Statute	1,661	1,980
Revenue Expenditure Funded from Capital under Statute - Exceptional Financial Support	4,281	3,902
Sources of Finance		
Capital Receipts	-	-
Government Grants and other contributions	(5,552)	(9,288)
Minimum Revenue Provision (MRP)	(1,846)	(1,593)
Voluntary Revenue Provision (VRP)	-	-
Capital receipts applied to repay debt	-	-
Revenue	-	-
Closing Capital Financing Requirement	273,165	238,315
Explanation of movement in year		
Increase/ (Decrease) in underlying need to borrowing (unsupported by Government financial assistance)	34,850	35,998
Assets acquired under finance leases	-	-
Assets acquired under PFI contracts	-	-
Increase / (Decrease) in Capital Financing Requirement	34,850	35,998

22. Investment Properties

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

	2025-26 £'000	2024-25 £'000
Rental income from Investment Property	(1,567)	(1,591)
Direct operating expenses	813	874

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on its right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct, enhance or develop investment property, however some lease agreements require the Council to repair and maintain properties.

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

	2025-26 £'000	2024-25 £'000
Balance at 1st April	53,761	53,761
Additions:		
Purchases	216	-
Net gains / (losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value	15,969	-
Balance at 31st March	69,946	53,761

The fair value of the investment property is reviewed and re-measured annually at the balance sheet date. All properties were revalued in 2025/26 by both internal and an external valuer, in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The valuations have been based where possible on a market approach using current market conditions, recent sale prices and other relevant information for similar assets in the local area. In these cases, where existing rents have been capitalised, the yield has been obtained by using market knowledge and evidence.

In estimating the fair values of the investment properties, the highest and best use of the properties is their current use.

23. Assets Held Under Leases

From 1 April 2024, Gloucester City Council implemented IFRS 16, bringing these leases onto the Balance Sheet. This requires recognition of a right-of-use (ROU) asset and a corresponding lease liability measured at the present value of future lease payments. ROU assets are depreciated in line with other PPE and lease payments are split between reducing the liability and a finance cost.

Lease liabilities are updated for changes in indices or rates, with matching adjustments to ROU assets. low value items (under £10k when new) and leases with less than 12 months remaining continue to be expensed directly.

Variable lease payments not fixed at commencement are excluded from initial measurement and are charged to expenditure when incurred.

	2025-26	2024-25
	Right-of-Use Assets	Right-of-Use Assets
	£'000	£'000
Cost or Valuation		
At 1 April 2025	10,292	10,093
Assets W/Off	-	-
Revised Total At 1 April	10,292	10,093
Additions	-	199
At 31 March 2026	10,292	10,292
Accumulated Depreciation and Impairment		
At 1 April 2025	259	-
Depreciation Charge	264	270
Depreciation written out to the Revaluation Reserve	-	(11)
At 31 March 2026	523	259
Net book value as at 31 March 2026	9,769	10,033

24. Assets Held Under Leases

The Council 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 31st March 2026.

Operating Leases

The Council's policy is to purchase the vehicles and plant required by Ubico Limited to provide environmental services within Gloucester and then lease them to the company. The vehicles and plant used on these services at 1st April 2025 are leased by the Council to the company. The present value of the lease at 31st March 2026 is £3.259 million. Purchases of £0.923 million have been made in the year.

The repayments due under the leases are based on recovering the cost to the Council of each vehicle or item of plant over its remaining estimated useful life. The Council does not anticipate residual values for the items at the end of the leases as they are not considered material, consequently the gross investment in the leases is deemed equal to the present value of the lease payments due.

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

- The provision of community services such as spot and recreation facilities, tourism services, and community centres; and
- 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 £7.944 million (2023-24: £7.113 million). The future minimum lease payments receivable in future years under non-cancellable leases in future years are as follows:

	31st March 2026 £'000	31st March 2025 £'000
Not later than 1 year	6,325	6,240
Later than one year and not later than five years	19,611	19,886
More than 5 years	13,652	21,778
	39,588	47,904

The Council 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 £0.162 million in rental income in 2025/26 from its granted leases (£0.165 million in 2024/25).

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

	31st March 2026 £'000	31st March 2025 £'000
Not later than 1 year	3	3
Later than one year and not later than five years	12	12
More than 5 years	147	150
	162	165

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 £1.874m.

The lease liability is recorded as long-term borrowing within the Balance Sheet with a value of £29.781m. 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.

	31st March 2026		31st March 2025	
	Total Lease Payments £'000	Present Value £'000	Total Lease Payments £'000	Present Value £'000
Not later than 1 year	1,862	1,862	1,826	1,826
Later than one year and not later than five years	7,829	6,289	8,179	6,177
More than 5 years	87,133	23,530	88,645	23,612
	96,824	31,680	98,650	31,615

25. Financial Instruments

Categories of financial instrument

The following categories are carried on the Balance Sheet:

	Short-term		Long-term	
	31st March 2026 £'000	31st March 2025 £'000	31st March 2026 £'000	31st March 2025 £'000
Investments				
Financial assets at fair value through profit and loss (note i)	-	-	10,073	10,677
Total Investments	-	-	10,073	10,677
Debtors				
Financial assets at amortised cost (Note 25.1)	29,754	20,671	829	748
Total included in debtors (note ii)	29,754	20,671	829	748
Cash and Cash equivalents				
Fair value through P&L (note iii)	6,504	7,533		
Total cash and cash equivalents	6,504	7,533		
TOTAL FINANCIAL ASSETS	36,258	28,204	10,902	11,425

Loans				
Financial liabilities at amortised cost - Public Works Loan Board (PWLB) loans and other loans	102,048	122,048	160,458	118,729
Total borrowing	102,048	122,048	160,458	118,729
Creditors				
Financial liabilities at amortised cost (Note 27.1)	11,890	6,261	-	-
Total included in creditors (note iv)	11,890	6,261		
TOTAL FINANCIAL LIABILITIES	113,938	128,309	160,458	118,729

Other Borrowing	Short-term		Long-term	
	31st March 2026 £'000	31st March 2025 £'000	31st March 2026 £'000	31st March 2025 £'000
Lease Liabilities	1,862	1,826	29,818	29,789
LOBO Loan	-	-	-	5,000
Other Borrowing	1,862	1,826	29,818	34,789
Total Other Borrowing	31,680	36,615		

Notes

- (i) These comprise deposits with counterparties associated with the Council or are held in Money Market Funds or Bank Instant Accounts.
- (ii) Further details of current debtors are given in note 26 on page 74. The figures shown above exclude payments in advance and non-exchange transactions, such as taxes and grants due, which are not classified as financial instruments.
- Long term debtors at 31st March 2025 mainly comprise of long-term loans to other entities.
- (iii) These comprise of bank current accounts and petty cash.
- (vi) Further details of current creditors are given in note 28 on page 75.

Income, Expense, Gains and Losses
Fair Value of financial assets and liabilities

	2025-26			2024-25		
	Financial Liabilities at amortised cost	Financial Assets at amortised cost	Total	Financial Liabilities at amortised cost	Financial Assets at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	6,032	-	6,032	5,710	-	5,710
Fee expense	-	-	-	-	-	-
Changes in fair value	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Total expenses in Surplus or Deficit on the Provision of Services	6,032	-	6,032	5,710	-	5,710
Interest Income	-	(1,213)	(1,213)	-	(1,320)	(1,320)
Interest Income accrued on impaired financial assets	-	-	-	-	-	-
Changes in fair value	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(1,213)	(1,213)	-	(1,320)	(1,320)
(Net gain)/loss for the year	6,032	(1,213)	4,819	5,710	(1,320)	4,390

The fair value 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 value hierarchy.
- No early repayment or impairment is recognised. Where an instrument will mature in the next 12 months, fair value is assumed to approximate to amortised cost.
- The fair value of trade and other short term payables and receivables is taken to be the invoiced or billed amount.

	2025-26		2024-25	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Financial Assets				
Investments at amortised cost	10,073	10,073	10,677	10,677
Long term debtors at amortised cost	829	829	748	748
Total	10,902	10,902	11,425	11,425

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

	2025-26		2024-25	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Financial Liabilities				
Borrowing – PWLB loans*	160,458	137,791	118,729	101,958
Borrowing – BAE Systems	0	0	5,000	4,402
Lease Liabilities (King's Walk)	31,680	31,680	31,615	31,615
Total borrowing	192,138	169,471	155,344	137,975

*includes long-term borrowing only

The fair value is lower than the carrying amount because the Council's borrowing includes fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date.

Nature and extent of risks arising from financial instruments

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

- credit risk – the risk 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 commitment 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.

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code for Capital Finance and the CIPFA Code of Practice on Treasury Management in Local Authorities (both revised in December 2021) and government investment guidance issued under the Act (revised in February 2018).

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.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 26th March 2026.

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 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.

The Council does not generally allow credit for customers and £1.547 million, of the debtors balance is past its due date for payment as follows:

	2025-26 £'000	2024-25 £'000
Less than four months	10	19
Four months - one year	10	11
More than One year	1,527	1,443
	1,547	1,473

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 ready access to borrowings from the money markets to cover any day-to-day cash flow needs, and the Public Works Loan Board and money markets for access to longer term funds, ensuring there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council could be required to replenish a significant portion of its borrowings at a time of unfavourable interest rates. This risk is reduced by working towards a rolling programme to ensure the maturity of loans is spread over a period of time.

The maturity analysis of borrowings (excluding interest payable) is as follows:

	31 st March 2026 £'000	31 st March 2025 £'000
Less than 1 year	143,000	94,963
1-5 years	57,427	70,475
5-10 years	23,075	8,742
Uncertain date maturing in more than 10 years*	39,004	66,598
Total	262,506	240,777

Market risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. By way of illustration, if interest rates were 1% higher in 2025-26, this would have had the following effect on the interest charged or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement:

	Amount outstanding (weighted average) in year £'000	Average actual interest rate %	Actual Interest payable / (receivable) £'000	Projected interest rate %	Projected interest payable / (receivable) £'000	Variation £'000
Borrowing						
PWLB (Fixed)	124,708	3.14%	3,913	4.14%	5,163	1,250
Short-term (Fixed)	121,189	4.55%	5,514	5.55%	6,726	1,212
Lending						
Fixed rate (up to 1 year)	21,213	3.86%	818	3.30%	710	108
Variable rate						
Net loss / (gain) on surplus / deficit for year						2,570

Due to the large proportion of borrowing held at variable rates the impact on interest payable is heavily impacted. Conversely, the proportion of lending at variable rates and fixed rate allows the Council to benefit from any increase in interest rates in the future. A large proportion of fixed rates is short term so any rate increases will benefit future investment returns.

Changes in interest rates will also affect the fair values of financial liabilities and financial assets classed as Loans and Receivables, however because these are carried at amortised cost rather than fair value, do not impact on the surplus or deficit on the provision of services or reserves. A rise in interest rates for example will reduce the fair value of borrowings and long term investments.

The Council has a number of strategies for managing interest 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 authority is also exposed to risk in terms of its exposure to market prices. Nominal gains and losses on borrowings and investments do not impact on the Comprehensive Income and Expenditure Statement or the Movement in Reserves Statement.

26. Short Term Debtors

	31st March 2026 £'000	31st March 2025 £'000
Central Government Bodies	8,280	10,091
Other Local Authorities	2,849	3,013
<i>Other entities and individuals:</i>		
- Council Taxpayers	1,403	1,280
- Business Ratepayers	1,271	(174)
- Sundry Debtors	12,107	19,310
- Other entities and individuals	17,921	10,487
Total	43,831	44,006

Each line is shown net of any allowance for impairments (provision for bad debts). The breakdown of the allowance for impairment for 2025/26 is broken down below:

	Gross £'000	Impairment £'000	Net £'000
Central Government Bodies	8,280	-	8,280
Other Local Authorities	2,849	-	2,849
<i>Other entities and individuals:</i>			
- Council Taxpayers	1,403	-	1,403
- Business Ratepayers	1,271	-	1,271
- Sundry Debtors	12,107	-	12,107
- Other entities and individuals	17,921	-	17,921
Total	43,831	-	43,831

26.1 Financial Instruments – Short Term Debtors

	31st March 2026 £'000	31st March 2025 £'000
Debtors per table in Note 24	43,831	36,700
Less – Payments in advance	(274)	(1,820)
Central Government debtors	(8,280)	(10,091)
Local Government debtors	(2,849)	(3,013)
Council Taxpayers	(1,403)	(1,280)
Business ratepayers	(1,271)	174
Total	29,754	20,671

27. Cash And Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31st March 2026 £'000	31st March 2025 £'000
Cash held by the Authority	4	4
Bank current accounts	6,500	7,529
Short term deposits and money market funds	-	-
Cash and cash equivalent assets	6,504	7,533
Cash and cash equivalent liabilities - bank overdraft	-	-
Net Cash and cash equivalents per Cash flow Statement	6,504	7,533

28. Short Term Creditors

	31st March 2026 £'000	31st March 2025 £'000
Central Government Bodies	(547)	(2,639)
Other Local Authorities	787	1,281
Other entities and individuals-	182	274
- Council Taxpayers	290	522
- Business Ratepayers	134	4,786
- Sundry Creditors	10,920	194
Total	11,767	4,418

28.1 Financial Instruments- Short Term Creditors

	31st March 2026 £'000	31st March 2025 £'000
Creditors per <i>Note 26.1</i>	11,767	4,418
<i>Less non-contractual items at 31 March:</i>		
Central Government creditors	547	2,639
Council taxpayers	(290)	(274)
Business Ratepayers	(134)	(522)
Total	11,890	6,261

29. Provisions

	Balance at 1st April 25 £'000	Additional provisions made in Year £'000	Amounts used/reallocated in Year £'000	Balance at 31st March 26 £'000
Short term				
Accumulated Absences Provision	67	22	-	89
Business rates retention – RV reductions	464	3,095	(2,708)	851
Other Minor Provisions	337	-	(337)	-
	868	3,117	(3,045)	940
Long term				
Insurance Provision	106		(22)	84
Total	974	3,117	(3,067)	1,024

Insurance

The Insurance Provision was established to fund the cost of insurance policy excesses arising from claims against the Council by third parties. The provision represents the value of an assessment of the Council's liability in respect of the current insurance claims outstanding with the Council's insurers. 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.

Business Rates Retention – RV reductions including Appeals

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1st April 2013. From this date local authorities assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties and other reductions resulting from changes in the rating list. This includes amounts 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 Government.

Consequently, the Council considers it necessary to make a provision to cover its share of the repayments likely to be made. The provision is based on the expected success rate of appeals recorded by the Valuation Office at 31st March 2026 relating to appeals raised against charges since 31st March 2017 and, for charges after this date, on an estimated reduction on the rating list based on historical experience, together with other known likely reductions.

Accumulated Absences Provision

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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

30. Contingent Liabilities

The Council has no contingent liabilities at the Balance Sheet date.

31. Usable Reserves and Transfers To / From Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement. Movements in the reserves shown on the statement are detailed below:

	Balance at 31 March 2024 £'000	Transfers out 2024/25 £'000	Transfers in 2024/25 £'000	Balance at 31 March 2025 £'000	Transfers out 2025/26 £'000	Transfers in 2025/26 £'000	Balance at 31 March 2026 £'000
Reserves Held							
Capital Reserve	4,005	-	-	4,005	-	-	4,005
Equalisation Reserve	25	-	-	25	-	-	25
General Fund Balance	394	(394)	-	(0)	-	-	(0)
Other Earmarked Reserve	2,360	(1,608)	1,054	1,806	(653)	10	1,163
Capital Grants Unapplied	3,475	(1,980)	2,079	3,574	(1,280)	1,221	3,514
Total	10,259	(3,982)	3,133	9,410	(1,933)	1,231	8,707

Purpose of reserves

- (a) **Capital Reserve** – to help finance the general fund capital programme.
- (b) **Equalisation Reserves** – to smooth out fluctuations in expenditure or income resulting from cyclical events, for example bi-annual local elections, and to cushion the impact of fluctuating activity levels (for example in housing benefit payments or business rates).
- (c) **Other earmarked reserves** – sums built up to cover future planned expenditure, for example support for the revenue budget, risk management, and Public Realm improvements.
- (d) **Capital Grants Unapplied** - 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.

32. Unusable Reserves

The Council keeps a number of reserves which do not represent usable resources for the Council as they are required to be held for statutory reasons, or to comply with proper accounting practice.

Reserve	31st March 2026 £'000	31st March 2025 £'000	Purpose of Reserve
Revaluation Reserve	61,588	59,744	Store of Gains on on revaluation of non-current assets not yet realised through sales
Capital Adjustment Account	32,513	19,329	Store of capital resources set aside to meet past expenditure
Pensions Reserve	(21,907)	(31,990)	Balancing account to allow for differences in statutory requirements and proper accounting practices relating to borrowing and investment
Deferred Creditors	43	43	Creditor receipts to be received in future years
Collection Fund Adj Account	(815)	(822)	Balancing account to allow for differences in statutory requirements and proper accounting practices for council tax and NNDR (business rates) surpluses/deficits
Short-term Accumulated Absences Adjustments A/C	(89)	(67)	Balancing account to allow for differences in statutory requirements and proper accounting practices for staff leave and additional hours not taken at year end
Available for Sale Reserve	88	88	Store of Gains on on revaluation of available for sale assets not yet realised through sales
Total Unusable Reserves	71,421	46,325	

32.1 Revaluation Reserve

The Revaluation Reserve contains gains arising from increases in the value of Property, Plant and Equipment, Heritage Assets and Assets Held for Sale arising since 1st April 2007. Accumulated gains arising before that date are consolidated into the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are re-valued downwards or impaired, depreciated or disposed of.

The balance on the reserve therefore represents the amount by which the current values of non-current assets carried on the Balance Sheet are greater because they are carried at re-valued amounts rather than at depreciated historical cost.

	2024-25 £'000	2023-24 £'000
Balance at 1st April	62,012	59,410
Revaluation gains on non-current assets	-	5,075
Downward revaluation of assets and impairments	-	(400)
Surplus or Deficit on Revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	62,012	64,085
Accumulated gain on assets sold, derecognised or reclassified	-	-
Difference between fair value and historical cost depreciation	(2,268)	(2,073)
Amount written off to the Capital Adjustment Account	(2,268)	(2,073)
Balance at 31st March	59,744	62,012

32.2 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.

	2025-26 £'000	2024-25 £'000
Balance at 1st April	88	88
Revaluation of investments not charged to the surplus or deficit on the provision of services:	-	-
Downward revaluation	-	-
Balance at 31st March	88	88

32.3 Capital Adjustment Account

	2025-26 £'000	2024-25 £'000
Balance at 1st April	19,329	18,741
Reversal of items relating to capital expenditure debited or credited to Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(6,494)	(6,289)
Revaluation gains/(losses) on Property, Plant, and Equipment	15,187	-
Amortisation of intangible assets	(22)	(293)
Revenue expenditure funded from capital under statute	(1,661)	(1,980)
Revenue expenditure funded from capital under statute - Exceptional Financial	(4,281)	(3,902)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	675	-
	22,733	6,277
Capital receipts received on repayment of long-term loans		
Adjusting amounts written out of the Revaluation Reserve	2,383	2,268
Net amount written out for the cost of non-current assets consumed in the year	25,116	8,545
Capital Financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	-	-
Use of Capital Receipts Reserve to repay debt		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing and application of grants to capital financing from the Capital Grants Unapplied Account	5,552	9,191
Capital expenditure charged against the general fund balance and repayment of Capital Financing Requirement	1,846	1,593
	32,513	19,329
Movements in the market value of Investing properties (charged) or credited to the Comprehensive Income and Expenditure Statement	-	-
Balance at 31st March	32,513	19,329

The Capital Adjustment Account accumulates the resources that have been set aside to finance capital expenditure, which are then reduced by the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments, or written off on disposal.

The balance thus represents the timing differences between the historical cost of non-current assets that have been consumed, and the cost financed in accordance with statutory requirements.

The Account also contains accumulated gains and losses on Investment properties that have yet to be consumed by the Council and revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

32.4 Collection Fund Adjustment Account

This account reflects the difference between the rate at which collection fund surpluses or deficits are released to the Council's General Fund Balance according to proper accounting practice, and the rate at which they are released according to statute. Proper accounting practice requires the surpluses or deficits generated in the year to be included in the Comprehensive Income and Expenditure Statement for the year, whereas statute does not allow these to be released to the general fund balance until the following year. The balance on this account therefore represents the surplus available to be released to the general fund balance in the future.

	2025-26 £'000	2024-25 £'000
Balance at 1st April	(822)	(649)
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	7	(173)
Balance at 31st March	(815)	(822)

32.5 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 provision. 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 the resources set aside to meet the costs.

However statutory arrangements require benefits earned to be financed when the Council makes employer's contributions, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in 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.

	2025-26 £'000	2024-25 £'000
Balance at 1st April	(31,990)	(37,251)
Re-measurement of the net defined benefit liability	834	25,279
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	1,765	(701)
Employer's pensions contributions and direct payments to pensioners payable in the year	5,208	5,269
Asset Ceiling Adjustment	2,276	(24,586)
Balance at 31st March	(21,907)	(31,990)

31.6 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.

	2025-26 £'000	2024-25 £'000
Balance at 1st April	43	43
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Balance at 31st March	43	43

31.7 Accumulated Absences Reserve

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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2025-26 £'000	2024-25 £'000
Balance at 1st April	(67)	(46)
Settlement or Cancellation of Accrual made at the end of the preceding year	-	-
Amounts accrued at the end of the current year	(22)	(21)
Balance at 31st March	(89)	(67)

33. Defined Benefit Pension Scheme

Participation in the pension scheme

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

Gloucester City Council is a member of the Gloucestershire County Council Pension Fund, for which Gloucestershire County Council is the administering authority. It is contracted out of the State Second Pension. The scheme is a defined benefit statutory scheme that is administered in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). This means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

The principal risks to the authority of the pension scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund required by statute.

Transactions relating to post-employment benefits

The Council recognises the costs of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund in the Movement in Reserves Statement (MIRS). The following transactions have been made in the Comprehensive Income and Expenditure Statement (CIES) and the General Fund Balance via the MIRS during the year:

	2025/26 £'000	2024/25 £'000
Comprehensive Income and Expenditure Statement (CIES):		
Service cost comprising:		
Current service cost	(1,411)	(1,887)
Past service cost		
Total Service Cost	(1,411)	(1,887)
Interest Income on planned assets	11,722	9,395
Interest Cost on defined benefit obligation	(8,546)	(8,209)
Total Net Interest	3,176	1,186
Total post-employment benefits charged to Surplus or Deficit on Provision of Services	1,765	(701)
Re-measurement of the net defined benefit liability comprising:		
Changes in financial assumptions	4,103	24,008
Changes in demographic assumptions	3,093	302
Other experience	(14,944)	1,866
Return on assets (excluding the amount included in the net interest expense)	8,582	(897)
Changes in the effect of limiting a net defined benefit asset to the asset ceiling	2,276	(24,586)
Total post-employment benefit charged to CIES	3,110	693
Movement in Reserves Statement:		
Reversal of net charges made to Surplus or Deficit on Provision of Services for post-employment benefits in accordance with the Code	(1,765)	701
Actual amount charged against General Fund Balance for pensions in the year		
Employer's pension contributions and direct payments to pensioners	(5,208)	(5,269)

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the balance sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	2025/26 £'000	2024/25 £'000
Present value of the defined benefit obligation	(154,083)	(150,421)
Fair value of plan assets	214,778	203,309
Net asset/(liability) arising from defined benefit obligation	60,695	52,888
Expected net asset once agreed part service contributions are paid	(82,602)	(84,878)
Net asset/(liability) arising from defined benefit obligation disclosed on the Balance Sheet	(21,907)	(31,990)

The Council's pension liability decreased during the year from £31.990 million to £21.907 million, a decrease of £10.083 million. In the preparation of the Statement of Accounts, an asset ceiling report was commissioned to allow management to assess how the balance should be recognised and disclosed in the accounts.

Reconciliation of the present value of the scheme liabilities (Defined Benefit Obligation)

	Funded Liabilities Local	
	Government Pension Scheme	
	2025/26 £'000	2024/25 £'000
Closing Fair Value of Scheme Liabilities 31st March	(150,421)	(173,836)
Effect of business combinations and disposals	-	-
Opening Balance at 1st April	(150,421)	(173,836)
Current service cost	(1,411)	(1,887)
Past service cost (including curtailments)	-	-
Interest cost	(8,546)	(8,209)
Contributions from scheme participants	(664)	(629)
Remeasurement gain/(loss):		
Arising from changes in demographic assumptions	3,093	302
Arising from changes in financial assumptions	4,103	24,008
Other experience	(8,535)	1,866
Benefits paid	8,103	7,769
Unfunded benefits paid	195	195
Closing balance at 31st March	(154,083)	(150,421)
Present value of Funded liabilities	(152,186)	(148,385)
Present value of Unfunded liabilities	(1,897)	(2,036)
Closing balance 31st March	(154,083)	(150,421)

The Local Government Pension scheme assets comprised:

Asset Category	Fair Value of Scheme Assets 2025-26			Fair Value of Scheme Assets 2024-25		
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000
Debt Securities:						
Corporate Bonds - investment grade						
Corporate Bonds - non investment grade						
UK Government						
Other						
Private equity:						
All	-	6,145	6,145	-	5,821	5,821
Real Estate:						
UK Property	2,912	10,638	13,550	6,761	5,546	12,307
Overseas property		3,468	3,468	-	3,785	3,785
Investment Funds and Unit Trusts:						
Equities		130,520	130,520	-	123,686	123,686
Infrastructure		10,791	10,791	-	11,043	11,043
Bonds	15,039	21,129	36,169	14,635	20,544	35,179
Other		8,478	8,478		8,663	8,663
Derivatives:						
Foreign Exchange	939		939	150	-	150
Other						
Cash & Cash equivalents:						
All	4,719		4,719	2,674	-	2,674
Totals	23,609	191,169	214,778	24,220	179,089	203,309

The Local Government Pension Scheme's assets consist of the following categories by proportion of the total assets held:

	2025-26	2024-25
	%	%
Equity investments	63.8	63.8
Bonds	16.8	17.3
Property	7.9	7.9
Other	4.3	4.3
Infrastructure	5.0	5.4
Cash	2.2	1.3
Total	100	100

Reconciliation of movements in the fair value of the scheme (Plan) assets

	Funded Assets Local Government Pension Scheme	
	2025/26 £'000	2024/25 £'000
Closing Fair Value of Scheme Assets 31st March	203,309	196,877
Effect of business combinations and disposals	-	-
Opening fair value of scheme assets 1st April	203,309	196,877
Interest income	11,722	9,395
Return on plan assets (excl. amount included in net interest expense)	8,582	(897)
Other Experience	(6,409)	-
Contributions from employees into the scheme	664	629
Contributions from employer	5,013	5,074
Contributions from employer in respect of unfunded benefits	195	195
Unfunded benefits paid	(195)	(195)
Benefits paid	(8,103)	(7,769)
Closing fair value of scheme assets 31st March	214,778	203,309

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc.

The Gloucestershire County Council pension fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme. The significant assumptions made in their calculations have been:

Life Expectancy	Males	Females
Current pensioners	21.8 years	24.3 years
Future pensioners*	22.3 years	25.9 years

* Future pensioners' numbers assume members aged 45 as at the last formal valuation date.

Commutation

An allowance is included for future retirements to elect to take 35% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 68% of the maximum tax-free cash for post-April 2008 service.

Sensitivity analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the 31 March 2026 and assumes for each change that the assumption analysed changes whilst all other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous financial year.

Change in assumptions at year ended 31 March 2026	Approximate % increase to Employer	Approximate cost to Employer £'000
0.1% decrease in Real Discount Rate	1%	2,074
1 year increase in member life expectancy	4%	6,163
0.1% increase in the Salary Increase Rate	0%	59
0.1% increase in the Pension Increase Rate	1%	2,014

The above figures have been derived based on the membership profile of the scheme as at the most recent actuarial valuation, being 31 March 2026.

34. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2025-26 £'000	2024-25 £'000
Interest Received	1,383	1,320
Interest Paid	(6,202)	(5,710)

	2025-26 £'000	2024-25 £'000
Depreciation	6,494	6,289
Impairment and downwards valuations	(15,862)	-
Amortisation	22	293
Increase / (decrease) in creditors	8,725	(68)
(Increase) / decrease in debtors	(1,290)	(1,928)
Increase / (decrease) in inventories	8	(140)
Movement in pension liability	(3,182)	(4,568)
Carrying amount of non-current assets and non-current assets held for sale sold	-	-
Other non cash items charged to the net surplus or deficit on the provision of services	(3,831)	(7,290)
Net cash outflows from Operating Activities	(8,916)	(7,412)

	2025-26 £'000	2024-25 £'000
Proceeds from the sale of PPE, investment property, and intangible assets	(604)	-

35. Cash Flow Statement – Investing Activities

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2025/26 £'000	2024/25 £'000
Purchase of Property, Plant and Equipment, Investment Property, and Intangible Assets	(37,936)	(42,977)
Other receipts from investing activities	12,575	6,587
Net cash inflows/ (outflows) from Investing Activities	(25,361)	(36,390)

36. Cash Flow Statement – Financing Activities

	2025/26 £'000	2024/25 £'000
Cash Receipts of short and long term borrowing	227,066	141,116
Other receipts/payments for financing activities	-	-
Repayments of short and long term borrowing	(210,272)	(96,648)
Net cash flows from financing activities	16,794	44,468

Section 4

Collection Fund

The Collection Fund - Income and Expenditure Account

The Collection Fund is an agent's statement that reflects the statutory requirement for billing authorities, such as Gloucester City Council, to maintain a separate account for the collection and distribution of Council Tax and non-domestic rates.

2024/25 £'000	Note	2025/26 £'000
INCOME		
85,745	Council Tax (i)	90,900
55,970	Non Domestic Rates (ii)	58,952
Contribution to previous year's deficit		
2,092	Non-domestic rates	2,741
-	- Council Tax	-
143,807	Total Income	152,593
EXPENDITURE		
Precepts & Demands from major preceptors and the Authority - Council Tax		
(9,337)	Payment to Gloucester City Council	(9,736)
(62,922)	Payment to Gloucestershire County Council	(66,903)
(12,117)	Payment to Police and Crime Commissioner for Gloucestershire	(12,829)
Non-Domestic Rates (ii)		
(23,665)	Payment to Gloucester City Council	(24,239)
(29,581)	Payment to Central Government	(30,298)
(5,916)	Payment to Gloucestershire County Council	(6,060)
-	- Transitional Protection Payments Payable To Government	-
-	- Interest on repayments	-
Impairment		
(10)	(Increase)/Decrease in NNDR bad debt provision	(88)
(1,040)	(Increase)/Decrease in Council Tax bad debt provision	(900)
1,040	(Increase)/Decrease in Provision for NNDR Appeals	(967)
(169)	Cost of NNDR Collection	(170)
Contribution towards previous year's surplus		
(1,000)	Council Tax	-
-	- Non-domestic rates	-
(144,717)	Total Expenditure	(152,190)
(910) (Surplus)/Deficit arising during the year		
(665)	Balance of fund at 1st April	(1,575)
(1,575)	Balance of fund at 31st March (iii)	(1,172)

Notes to the Collection Fund

(i). Council Tax

Council Tax is a property-based tax, subject to a range of statutory discounts, exemptions and reductions, including a 25% discount for single-occupancy households. All domestic properties are valued by the Valuation Office Agency at estimated market values as at 1 April 1991 and allocated to one of eight valuation bands.

Each valuation band is assigned a statutory proportion, which is used to convert the number of chargeable dwellings into a notional "Band D" equivalent tax base (see table below). The Band D Council Tax for the Council and each major precepting authority is calculated by dividing their respective budget requirements (demands and precepts) by the tax base. Council Tax charges for properties in other bands are calculated by applying the nationally prescribed proportions to the Band D charge.

Band	Estimated Number of Properties in each Band (adjusted for discounts)	Ratio	Band "D" Equivalents
A Disabled	49	5/9	27
A	14,651	6/9	9,767
B	14,938	7/9	11,618
C	12,917	8/9	11,482
D	5,605	9/9	5,605
E	3,644	11/9	4,454
F	880	13/9	1,271
G	149	15/9	248
H	5	18/9	9
	52,837		44,481
Less Council Tax support (Band D equivalents)			(4,236)
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, demolitions, disabled persons' relief, and exemptions, plus adjustments for new properties and 2 nd homes (this amounts to 1.25% of the tax base)			(556)
Council Tax Base for 2025/26			39,689

(ii). Non-Domestic Rates

Non-domestic rates (business rates) are levied on the basis of business rateable values, as assessed by the Valuation Office Agency, multiplied by a uniform business rate set by central government. A range of statutory reliefs is available, and the income shown is net of these reliefs.

With effect from 1 April 2013, the Local Government Finance Act 2012 introduced the Business Rates Retention Scheme, under which billing authorities' General Funds retain a proportion of the business rates collected in their area. Under this scheme, authorities may be required to pay a tariff to central government

where income exceeds their baseline funding level, or alternatively may receive a top-up where income falls below that level.

The Business Rates Retention Scheme apportions rates income between central government and local authorities in accordance with prescribed percentage shares. During 2025/26, the income collected by Gloucester City Council was distributed as follows: 40% to Gloucester City Council, 10% to Gloucestershire County Council and 50% to central government. The Collection Fund Statement shows the amounts distributed to each organisation in respect of non-domestic rates for the year.

Where business rates income growth exceeds a specified threshold, a levy on the additional growth is payable to central government. Conversely, where income falls below a prescribed level, authorities may receive a safety net payment. Gloucester City Council is a member of the Gloucestershire Business Rates Pool, under which levy payments and safety net receipts are pooled across participating authorities. This arrangement enables pool members to benefit from a reduced levy rate on growth above their individual thresholds, while providing access to pooled safety net support where income falls below threshold levels.

The total non-domestic rateable value at 31st March 2026 was £141.8 million (2025: £141.3 million) and the national non-domestic multipliers for 2025/26 were 55.5p standard rate (2024/25: 54.6p) and 49.9p small business rate (2024/25: 49.9p), resulting in net income after transitional, small property, empty property and mandatory reliefs of £57.7 million (2024/25: 56.8m).

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 2025/26 was £18.4 million.

(iii). Fund Balance

The fund balance for Council tax is shared between the Council and its major precepting authorities (Gloucestershire County Council and the Gloucestershire Police & Crime Commissioner), in proportion to their precepts. The fund balance for Non-Domestic Rates is shared between the Council, Gloucestershire County Council and Central Government, in the statutory proportions.

The respective authorities' share of the balance is as follows:

	Gloucester City Council Share £'000	Gloucestershire County Council Share £'000	Police and Crime Commissioner Share £'000	Central Government Share £'000	Total £'000
Council Tax					
Balance at 1st April 2025	72	492	94	-	658
Increase/(decrease) in the year	58	398	76	-	532
Balance at 31st March 2026	130	890	170	-	1,190
Business Rates					
Balance at 1st April 2025	(893)	(223)	-	(1,117)	(2,233)
Increase/(decrease) in the year	(52)	(13)	-	(64)	(129)
Balance at 31st March 2026	(945)	(236)	-	(1,181)	(2,362)
Fund Balance at 31st March 2026	(815)	654	170	(1,181)	(1,172)

Section 5

Group Accounts



GROUP ACCOUNTS

The Group Accounts bring together the Council's accounts with its share of those of:

- KQ Hotel Management Co No 2, a wholly owned subsidiary of the Council.
- Gloucestershire Airport Limited, in which the Council has a 50% shareholding (the remaining 50% of shares are owned by Gloucester City Council).

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

The Council has 100% shareholding in KQ Hotel Management Company No.2 Ltd. The company was established to operate the Council owned hotel at The Forum development. As the Council has control over the company, it is treated as a subsidiary and is fully consolidated within the Group Accounts from the date control commenced. Inter-organisation transactions and balances have been excluded upon consolidation.

Gloucestershire Airport Limited has been categorised as a Joint Venture as any decisions regarding its operating and financial policies require the consent of another party in addition to the Council (the company is 'jointly controlled'). The company's assets and liabilities have therefore been consolidated with the Council's in accordance with IAS 28 and IFRS11, which require the Equity Method to be used. Under this method, the Council's share of the operating results of the company before tax is reported as a separate line, after the net surplus or deficit on the provision of services, within the Group Comprehensive Income and Expenditure Statement. Any taxation payable is also disclosed as a separate line.

In the Group Balance Sheet the Council's share of the joint venture's net assets are included as a long-term investment, matched by the Council's share of the company's reserves, eliminating the share capital. There is no requirement to adjust for transactions incurred and balances held between the Council and any joint venture companies.

Statement of Accounting Policies for The Group Accounts

These are set out in Note 1.29 on page 45.

Group Balance Sheet

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves comprises those that the group is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences.

31-Mar-25 £'000		Note	31-Mar-26 £'000
242,173	Property, Plant & Equipment	18	275,542
53,761	Investment Property	22	69,946
154	Intangible Assets		132
7,042	Heritage Assets	19	7,042
588	Surplus Assets	18	816
10,677	Long term Investments	25	10,073
10,033	Right-of-Use Assets	23	9,769
5,960	Investments in Joint Ventures		4,905
748	Long term Debtors	25	829
331,136	Long Term Assets		379,054
-	Short term Investments		-
4,500	Assets held for Sale	20	3,886
164	Inventories		174
44,006	Short term Debtors	26	43,785
7,533	Cash and Cash Equivalents	27	6,514
56,203	Current Assets		54,359
(122,048)	Short term Borrowing	25	(102,048)
(1,826)	Other Short term Borrowing	25	(1,862)
(4,418)	Short term Creditors	28	(12,224)
(869)	Provisions (<1yr)	29	(940)
(129,161)	Current Liabilities		(117,075)
(106)	Provisions (>1yr)	29	(84)
(118,729)	Long term Borrowing	25	(160,458)
(34,789)	Other Long Term Liabilities	25	(29,818)
(6,825)	Grant receipts in advance - capital	15	(15,293)
(4,045)	Deferred Income		(4,037)
(31,990)	Pension Liabilities	33	(21,907)
(196,484)	Long Term Liabilities		(231,597)
61,694	Net Assets		84,741
(187)	Usable Reserves	31	(1,932)
61,881	Unusable Reserves	32	86,673
61,694	Total Reserves		84,741

Group Movement in Reserves Statement

This statement shows the movement in the year in 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 unusable reserves. A breakdown of the Total Comprehensive Income & Expenditure line is shown in the Group Comprehensive Income and Expenditure Statement, where the group surplus or deficit line shows the true economic cost of providing the group's services.

	Usable			Unusable			Total Group Reserves
	Total Authority Usable Reserves	Authority's share of Usable Reserves of subsidiaries and Joint Ventures	Total Group Usable Reserves	Total Authority Unusable Reserves	Authority's share of Unusable Reserves of subsidiaries and Joint Ventures	Total Group Unusable Reserves	
	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2024	10,259	(9,016)	1,242	42,937	18,770	61,708	62,950
<i>Movement in Reserves during 2024/25</i>							
Total Comprehensive Income and (Expenditure)	1,845	(3,793)	(9,078)	693	-	693	(1,255)
Adjustments between company reserves	-	3,213	3,213	-	(3,213)	(3,213)	-
Transfer of Capital Funding to finance capitalisation (Note 5)	3,902	-	3,902	-	-	-	3,902
Adjustments between accounting basis and funding basis under regulation (Note 5)	(6,596)	-	(6,596)	2,694	(1)	2,693	(3,903)
<i>Increase in 2024/25</i>	(849)	(580)	(1,429)	3,387	(3,214)	173	(1,256)
Balance at 31 March 2025	9,410	(9,596)	(187)	46,324	15,556	61,881	61,694
<i>Movement in Reserves during 2025/26</i>							
Total Comprehensive Income and (Expenditure)	17,058	723	17,780	7,337	-	7,337	25,117
Adjustments between company reserves	-	(1,766)	(1,766)	-	1,766	1,766	-
Transfer of Capital Funding to finance capitalisation (Note 5)	4,281	-	4,281	-	-	-	4,281
Adjustments between accounting basis and funding basis under regulation (Note 5)	(22,041)	-	(22,041)	17,760	(2,070)	15,690	(6,351)
<i>Increase in 2025/26</i>	(702)	(1,043)	(1,745)	25,097	(304)	24,793	23,047
Balance at 31 March 2026	8,707	(10,639)	(1,932)	71,421	15,252	86,673	84,741

Group Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the group including those of the joint venture Gloucestershire Airport Limited during the reporting period. The statement shows how the group generates and uses cash by classifying cash flows as operating, investing and financing activities.

2024/25 £'000	2025/26 £'000
(1,949) Net surplus or (deficit) on the provision of services	14,225
(3,831) Adjust net surplus or deficit on the provision of services for non-cash movements	(6,914)
Adjust for items in the net surplus or deficit on the provision of services that are - investing or financing activities	(604)
(5,780) Cash inflows/ (outflows) generated from operating activities	6,707
(36,948) Investing activities	(25,548)
45,251 Financing activities	21,712
2,523 Net increase / (decrease) in cash and cash equivalents	2,871
5,224 Cash and cash equivalents at the beginning of the year	7,747
7,747 Cash and cash equivalents at the end of the year (note 27)	10,618
2,523 Net increase / (decrease) in cash and cash equivalents	2,871

37. Gloucestershire Airport Limited

Gloucestershire Airport Limited is a wholly owned local authority airport company which was voluntarily established during 1992/93 by Gloucester City Council and Gloucester City Council, using powers available to them under the Airports Act 1986. This replaced the previous joint committee arrangements. The shares allotted were divided equally between the two Councils. The market value of the shares is unknown as they are not listed, however their current fair value has been estimated and is included in the Council's single entity accounts under long term investments: financial assets at fair value through other comprehensive income.

The registered name of the airport company is Gloucestershire Airport Limited (Registration No. 02774189). The drafted accounts of the company show net assets at 31 March 2026 of £9.809 million (2025: £11.920 million), and an after tax loss of £2.110 million for the year to 31 March 2026 (2025: £7.588 million loss). The Council's commitment to meet losses is limited to the shares that it holds.

The following table discloses the Council's share of the airport's results and net assets.

	Gloucester- shire Airport Limited 2025/26 £'000	Council's share 2025/26 £'000	Gloucester- shire Airport Limited 2024/25 £'000	Council's share 2024/25 £'000
Turnover	5,628	2,814	5,143	2,572
Profit/(Loss) on ordinary activities before taxation	(2,442)	(1,221)	(8,233)	(4,117)
Less tax on profit on ordinary activities	332	166	645	323
Profit/(Loss) for the financial year after taxation	(2,110)	(1,055)	(7,588)	(3,794)

The airport did not pay any dividends in the year to 31st March 2026 (2025: nil).

The Airport's accounts for the year ended 31st March 2026 can be obtained from the Managing Director at the company's registered office - The Terminal Building, Staverton, Cheltenham, Gloucestershire, GL51 6SR.

	Gloucester- shire Airport Limited 2025/26 £'000	Council's share 2025/26 £'000	Gloucester- shire Airport Limited 2024/25 £'000	Council's share 2024/25 £'000
Non-current Assets	35,125	17,563	35,734	17,867
Current Assets	(2,111)	(1,056)	2,663	1,332
Liabilities due within one year	(17,585)	(8,793)	(20,857)	(10,429)
Liabilities due after one year (excluding pensions)	(806)	(403)	(806)	(403)
Deferred tax liabilities	(4,814)	(2,407)	(4,814)	(2,407)

Section 6

Glossary of Financial Terms

Glossary of Financial Terms

Accounting Code of Practice	Although the preparation and control of accounting is regulated, there is no statutory basis for accounting entries. Instead, Local Authorities have to comply with the CIPFA/LASAAC Code of Practice on Local authority accounting in the United Kingdom (The Code).
Accounting Period	The period of time covered by the accounts, normally a period of twelve months commencing on 1 st April for local authority accounts. The end of the accounting period is the balance sheet date.
Accounts	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 either by the type of transactions they record, e.g. revenue account, capital account or by the purpose they serve, e.g. management accounts, final accounts, balance sheets.
Accounting Policies	Accounting Policies are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting its financial statements, which determine how transactions and other events are recognised, measured, presented and disclosed.
Accruals	Amounts included in the final accounts to recognise income or expenditure attributable to the accounting period, where payment has not yet been made or received at the balance sheet date.
Actual	Actual, as opposed to budget, expenditure and income directly attributable to an accounting period.
Actuarial Basis	The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.
Amortised cost	Financial instruments are shown on the balance sheet at amortised cost, being the principal amount of the loan plus or minus the balance of any premium or discount associated with that loan, plus any interest accrued at the balance sheet date.
Audit of Accounts	An audit is an examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and codes of practice have been followed.
Balances	Working balances are reserves needed to finance expenditure in advance of income from debtors, precepts and grants. Any excess may be applied, at the discretion of the Council, to reduce future demands on the Collection Fund or to meet unexpected costs during the year. Balances on holding accounts and provisions are available to meet expenditure in future years without having adverse effect on revenue expenditure.
Billing Authority	The authority that sets Council tax and collects it from Council taxpayers.
Budget	

	A financial plan that expresses an organisation's service delivery plans and capital programmes in monetary terms.
Budget Strategy	A document setting out how an organisation is going to meet its policies and priorities, taking into account the resources available to the organisation. This will include proposals for efficiency savings and possible service changes or reductions, which may free up resources for use on other policies or priorities.
Capital Expenditure	This is expenditure on items providing benefits to the organisation over more than one year, such as land, buildings or vehicles.
Capital Financing	The raising of money to finance capital expenditure. In the past the cost of capital assets was usually 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, and capital grants and contributions from developers or others.
Capital Financing Requirement	The capital financing requirement measures the Council's underlying need to borrow for capital purposes.
Capital Grants	Grants received towards capital expenditure on a specific service or project.
Capital Programme	This is a financial plan of the capital expenditure projects that the organisation intends to carry out over a specified time period.
Capital Receipt	This is income resulting from the sale of assets such as land or property. The Government decides what proportion of each capital receipt can be used by the Council to finance new capital expenditure. Capital receipts cannot be used to fund revenue expenditure.
Cash & Cash equivalents	Cash in hand plus deposits in banks or building societies, repayable on demand or within 24 hours, and deposits maturing within 3 months of the date taken out.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the professional body for accountants working in local government and other public bodies. The Institute provides financial and statistical information services for local government and advises central Government and other bodies on local government and public finance matters.
Collection Fund	This is a statutory fund kept separate from the main accounts of the Council. It records all income due from Council Tax and National Non-Domestic Rates and shows how that income was shared between central government, the County Council and the Police and Crime Commissioner.
Consistency	One of the fundamental accounting concepts, it requires accountants to treat similar items of income and expenditure in the same way both within an accounting period and from one accounting period to the next.
Contingent Asset	An asset 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 a claim for compensation that a Council is pursuing through the due legal process, where the outcome will only be decided by the decision of the courts.

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 Council has given a guarantee.
Council Tax	A local tax levied on dwellings within the local authority area. The level of taxation is based on the capital value of the property, which is categorised into one of eight bands from A to H, and the number of people living in the dwelling.
Creditors	Amounts owed by the Council for work done, goods received or services rendered within the 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.
Debtors	An amount due to an organisation within the accounting period not received at the balance sheet date.
Depreciation	A charge made to the revenue account each year that reflects the reduction in value of assets used to deliver services. This is the loss in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.
Employee Costs	These include salaries, wages and employers' national insurance and pension contributions, together with training expenses and charges relating to the index-linking of pensions of former employees.
Estimates	Original estimate: the estimate for the new year approved before the start of the financial year, usually at the previous November's price levels. Revised estimate: the original estimate for the year updated by price changes since it was prepared and by supplementary estimates and virements.
Final Accounts	Accounts prepared for an accounting period, usually in a summarised form. They include a statement showing the net surplus (profit) or deficit (loss) on the provision of services and a balance sheet. They are produced as a record of stewardship for interested parties. Local authorities are required by the Accounts and Audit Regulations 1993 (as amended) to publish a Statement of Accounts at the end of each financial year.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee (the person or organisation leasing the asset).
Financial Year	The local authority financial year commences on 1 st April and finishes on 31 st March in the following year.
Government Grants	Grants made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some Government grants have restrictions on how they may be used, whilst others are general purpose.

Impairment	Impairment of an asset is caused by a consumption of economic benefits (e.g. physical damage such as an office fire) or a deterioration in the quality of service provided by the asset (e.g. an industrial unit closing and becoming a storage facility), or by a general fall in prices of that particular asset or class of assets.
Interest	An amount received or paid for the use of a sum of money when it is invested or borrowed.
International Financial Reporting Standards (IFRS)	Provide the required accounting treatment and disclosure of transactions so that an organisation's financial statements present fairly the financial position of the organisation.
Inventories	<p>Items of raw materials and stores a Council has purchased to use on a continuing basis but which have not yet been used.</p> <p>Where these debtor balances are assessed as impaired, because a past event indicates that amounts due under the statutory arrangements are unlikely to be received, the receivable is written down and a charge is made to the Taxation and Non-Specific Grant Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised expected future cash flows.</p>
Joint Venture	An entity in which the reporting authority has an interest on a long-term basis and is jointly controlled by the reporting authority and one or more entities under a contractual or other binding agreement.
Materiality	One of the main accounting concepts, it ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to a Council's revenue account as a contribution towards the reduction in its overall borrowing requirement. The amount represents that which the Council considers to be prudent, taking into account the period over which the borrowing was taken, which is usually equivalent to the life of the asset.
National Non Domestic Rates (NNDR)	An NNDR rate (multiplier) is set annually by central government and is applied to the rateable value of a business to calculate the non-domestic rates collected by Billing Authorities. The rates collected are shared between central government, district and county Councils in statutory proportions.
Non-Current Asset	Assets which can be expected to be of use or benefit to the Council for more than one accounting period.
Operating Lease	A lease under which the ownership of the asset remains with the lessor (the person or organisation leasing the asset) and is equivalent to contract hiring.
Precepts	The levy made by a precepting authority (County Council, Police Authority, Parish Council) on the billing authority, requiring it to collect income from Council Taxpayers on their behalf.

Provision	A sum of money set aside in the accounts for liabilities or losses that are due but where the amount due or the timing of the payment is not know with certainty.
Revenue Expenditure	Expenditure on the day to day running costs of the Council such as wages and salaries, utility costs, repairs and maintenance.
Revenue Expenditure funded from capital under statute (REFCUS)	Expenditure which can by law be financed from capital resources (e.g. capital receipts) but which does not result in a non-current asset for the authority e.g. renovation grants.
Revenue Support Grant	A general grant paid by central Government to local authorities to provide the services that it is responsible for delivering.
Subsidiary	An entity is a subsidiary of the reporting Council if the Council is able to exercise control over the operating and financial policies of the entity, and is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

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External Auditors Report

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