

**GLOUCESTER CITY COUNCIL  
2021/22 STATEMENT OF ACCOUNTS**

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# INTRODUCTION

## **Gloucester City Council**

### **Welcome to the Statement of Accounts 2021/22**

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

During the year the Council continued to provide sound financial management and deliver good value services, despite the exceptional pressures of the Covid-19 pandemic and the December 2021 cyber incident. The Council remains committed to continuous improvement in all areas and to driving forwards best practice and value for money for the services delivered in Gloucester City.

Our updated Medium Term Financial Plan (Money Plan) provides a clear strategic direction for the Council finances through to 2025/26. We are confident of achieving future savings targets we have set ourselves to meet the financial pressures placed upon us from reductions in government grant but also to keep Council Tax levels low for our residents.

Due to the cyber incident the council experienced in December 2021, we were unable to meet the planned deadline for publishing the 2021-22 statement of accounts. Following a significant and successful recovery effort, we have published a complete set of accounts on 28th February 2024.

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

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

The sections contained with this narrative statement are:

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

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

#### **Hadrian Walters**

Head of Finance (Section 151 Officer)

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# NARRATIVE REPORT

# **NARRATIVE REPORT**

## **1. Introduction**

The Statement of Accounts presents the financial position of the Council for the year ended 31st March 2022. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice. This report provides a brief explanation of the financial aspects of the Council's activities and a guide to the significant matters reported in the accounts.

The Narrative Report provides information about Gloucester City Council and the key issues affecting the Council and its accounts, including a summary of its financial position at 31st March 2022.

## **2. An Introduction to Gloucester City**

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

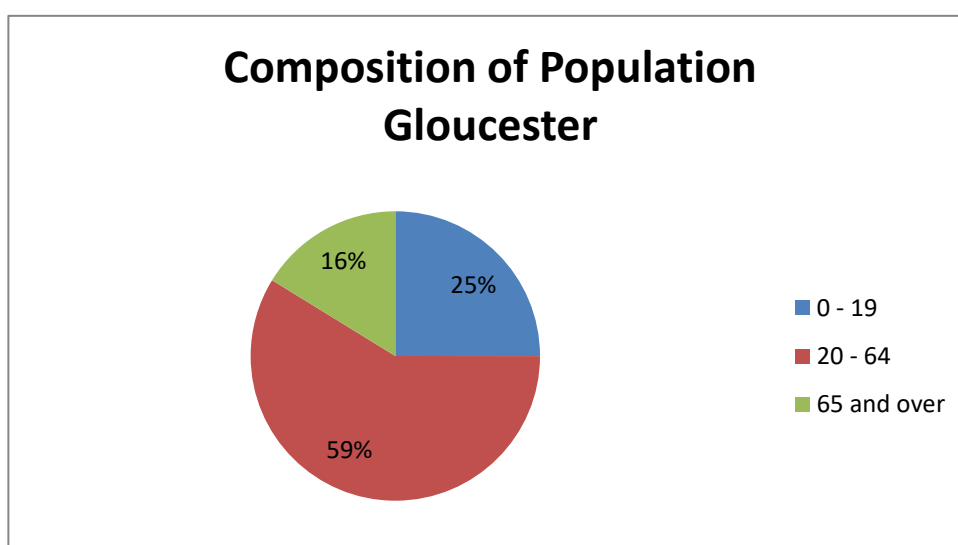
It has one of the richest heritage offerings in the country, from its time as a Roman colony, to one of the three most important medieval cities in England, then its development into an industrial centre. It is home to one of the finest medieval buildings in the country: the breath-taking cathedral which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

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

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

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

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



# **NARRATIVE REPORT**

## **3. About Gloucester City Council**

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

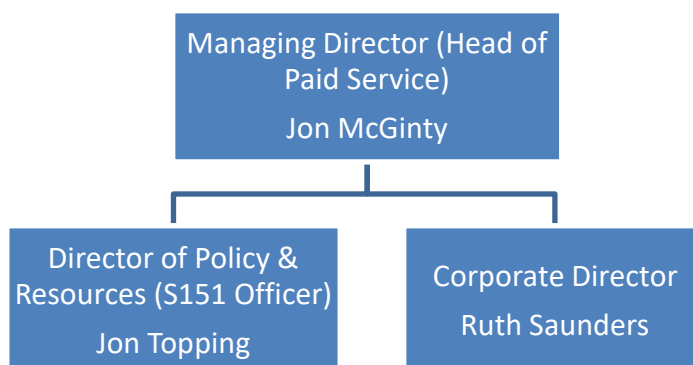
In 2021/22 Gloucester had 18 wards, and residents of the City were represented by 39 Councillors. The Council hold elections every four years the last being in May 2021.

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

<b>Party</b>	<b>No of Councillors</b>
Conservative Party	26 Councillors
Liberal Democratic Party	10 Councillors
Labour Party	3 Councillors

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

The Council employs a work force of approximately 226 staff to manage and deliver services to residents under the direction of the Senior Management Team. The senior management structure and statutory officers in place during 2021/22 is shown below:



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

Detailed below are posts held during 2021/22:

### **Mayor and Deputy Mayor in the 2021/22 Municipal Year**

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

### **3. About Gloucester City Council (Continued)**

#### **Cabinet in 2021/22**

Leader of the Council and Cabinet Member for Environment -  
Councillor R Cook  
Deputy Leader of the Council and Cabinet Member Performance and Resources -  
Councillor H Norman  
Cabinet Member Communities and Neighbourhoods - Councillor J Hudson  
Cabinet Member Planning & Housing Strategy - Councillor S Chambers  
Cabinet Member Culture & Leisure - Councillor A Lewis

#### **Chair of Committees in 2021/22**

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

#### **Chief Officers in 2021/22**

Managing Director (Head of Paid Service) - Mr J McGinty  
Corporate Director - Mrs A Brinkhoff (until May 2021)  
Corporate Director (Monitoring Officer) - Mr J Lund (until July 2021)  
Corporate Director - Mrs R Saunders (Jan 2022)  
Director of Policy & Resources (Section 151 Officer) - Mr J Topping

### **4. A summary of Financial Performance**

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

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

A further impact as a result of the pandemic is within the Council's reserves. The reserves for 2020/21 were enhanced to include a Collection Fund Timing reserve for the surplus on business rates Section 31 grant of £8.930m received by the council to compensate for the loss of business rates income as a result of the late decision to provide extended retail relief grant to retail, hospitality and leisure businesses, and nursery providers to support them through the pandemic. The legislation that covers the Collection Fund accounting means the related deficit as a result of the loss of business rates income in the previous year will be charged to the General Fund 2021/22. As a result the reserve created in 2020/21 of £8.930m has been released in 2021/22 to match the expenditure. A similar late decision surrounding NNDR reliefs was made by the Government in relation to 2021/22 leading to a further £2.811m being placed in reserve for release in 2022/23.

The spending review 2021 was announced in December 2021, and will cover one year only. This will fundamentally be a roll forward of the current settlement with a new three-year Spending Review now expected 2023/24. The Council's future financial planning will reflect the expected implications.

The 2021/22 budgeting process was influenced by the on-going need to make savings and efficiencies while still delivering council services to the residents of the city. The net budget requirement of £13.980m was approved by Cabinet and Council in February 2021. The Money Plan ([www.gloucester.gov.uk/council/performance-and-spending/budget-and-finance/Pages/5-Year-Money-Plan.aspx](http://www.gloucester.gov.uk/council/performance-and-spending/budget-and-finance/Pages/5-Year-Money-Plan.aspx)) identified no targeted reductions in 2021/22. The Money Plan included an increase in Council Tax of £5 which resulted in an income from Council Tax of £8.081m.

In producing the Money Plan for 2021/22 to 2025/26 the aim was to align the objectives set out in the Council Plan 2020-24. The net revenue budget approved by Council in February was £13.980m. The actual net expenditure for the year was £14.437m including transfers to and from earmarked reserves. The outturn position has seen a £586k decrease in the General Fund.



# **NARRATIVE REPORT**

## **4. A Summary of Financial Performance (Continued)**

The following table details the Council's final net revenue expenditure analysed by service area. This differs from the Net Cost of Service in the Comprehensive Income and Expenditure Account statement by the exclusion of costs relating to depreciation, revenue expenditure funded by capital under statute and certain pension adjustments.

<b>Service</b>	<b>2021/22 Budget £000</b>	<b>Year End Outturn £000</b>	<b>Variance £000</b>
Internal Audit	198	180	(18)
Financial and Corporate	805	(2,349)	(3,154)
Business Support	361	417	56
Revenues and Benefits Admin	915	324	(591)
Housing Subsidy	(377)	310	687
Parking	(1,583)	(828)	755
Asset Management	1,001	1,370	369
Commercial Property	(2,617)	(6,273)	(3,656)
IT	1,898	2,052	154
Human Resources	281	450	169
Communications	88	89	1
Legal Services	407	426	19
Contact Centre and Customer Services	384	528	144
Democratic Services	824	903	79
Economic Development	158	362	204
Licensing	(140)	(100)	40
Markets and Street Trading	(87)	(79)	8
Museums	578	723	145
Food and Drink	410	614	204
Guildhall	285	249	(36)
Aspire Client	(30)	115	145
Destination Marketing	176	271	95
Waste and Streetcare	4,554	4,118	(436)
Neighbourhood and Parks Management	458	932	474
Countryside	98	126	28
Climate Change and Environment	64	110	46
Environmental Health	188	215	27
Cemetery and Crematorium	(1,514)	(1,118)	396
Heritage	115	1,058	943
Senior Management	373	427	54
Voluntary Sector Grants	125	(7)	(132)
Community Strategy and Other Projects	688	1,194	506
Homelessness	1,121	887	(234)
Shopmobility	60	59	(1)
Health and Safety	8	1	(7)
Private Sector Housing	200	814	614
Planning	283	563	280
Community Infrastructure Levy	-	(104)	(222)
Transformation	118	153	299
Land Charges	(146)	(85)	(85)
<b>Total Service Expenditure</b>	<b>10,728</b>	<b>9,097</b>	<b>(1,631)</b>

As identified in the table below a final position of an overspend of £0.460m compared to a budgeted overspend of £0.13m.

<b>Service</b>	<b>Budget £000</b>	<b>Outturn £000</b>	<b>Variance £000</b>
Interest Income	(719)	(407)	312
Interest Expenditure	140	3,697	3,557
Minimum Revenue Provision	510	891	381
Corporate Pension Contribution	3,400	4,444	1,044
Other	-	4,930	4,930
<b>Total Corporate Costs</b>	<b>3,331</b>	<b>13,555</b>	<b>10,224</b>
<b>Transfer from General Fund</b>	<b>(130)</b>	<b>(590)</b>	<b>(460)</b>

# **NARRATIVE REPORT**

## **4. A Summary of Financial Performance (Continued)**

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

<b>Service</b>	<b>2021/22 Budget '£000</b>	<b>Year End Position '£000</b>	<b>Variance '£000</b>
Council Tax Funding	8,039	8,250	211
Retained Business Rates	5,103	5,655	552
Revenue Support Grant	244	87	(157)
New Homes Bonus	803	803	0
Council Tax s31 Grants	0	6,600	6,600
Covid-19 related Grants	0	1,503	1,503
Other Grants	0	342	342
<b>Total Funding</b>	<b>14,189</b>	<b>23,240</b>	<b>9,051</b>

The main variances relate to the following items:

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

The gross cost of service provision amounts to £104.0m and this has been analysed by type as

<b>Expenditure Type</b>	<b>2021/22 £000</b>	<b>2020/21 £000</b>
Employee Expenses	8,297	8,480
Other Service Expenses	67,096	64,606
Other Operating Expenditure	737	250
Capital charges and investment property expenditure	5,286	15,590
Business rates expenditure	17,161	17,329
<b>Gross Cost of Services</b>	<b>98,577</b>	<b>106,255</b>

The Council received gross income of £107.4m and this is analysed in the table below:

<b>Income Type</b>	<b>2021/22 £000</b>	<b>2020/21 £000</b>
Government Grants	33,058	33,420
Income from Council Tax, Business Rates and non-specific grant income	40,402	40,338
Fees, Charges & Other Service Income	21,813	20,250
Interest and Investment property income and other operating income	6,763	628
	<b>102,036</b>	<b>94,636</b>

# **NARRATIVE REPORT**

## **4. A Summary of Financial Performance (Continued)**

The capital budget was approved by Cabinet and Council in February 2021, with subsequent approvals bringing the final capital budget to £25m for 2021/22. Capital expenditure for 2021/22 was £23m.

There was an underspend on the revised capital budget in 2021/22 compared to budgeted expenditure of £2m, these underspends were the result of expenditure on projects within the approved five year capital programme which has moved to subsequent years.

A summary of the capital expenditure is shown below. Of the £23.3m spend, £21.6m added to the value of the Council's fixed assets, and the balance was written off in year to the Income and Expenditure Account as revenue expenditure funded from capital under statute. The sources of funding for the Council's capital expenditure in 2021/22 are shown below:

<b>Capital Expenditure</b>	<b>£000</b>
Kings Square development	3,975
Kings Quarter - The Forum	10,073
GWR - Railway Improvements	61
Kings Walk Shopping Centre	2,114
City Centre Improvement Fund	-
GCC Building Improvements	505
ICT Projects	161
Housing projects	535
Drainage and Flood Protection Works	50
Horsbere Brook Local Nature Reserve works	2
Play Area Improvement Programme	3
Crematorium Improvements	-
Grant Funded Projects	644
Robinswood Hill (Ranger Barns)	4
Food Dock	500
Domestic Waste Vehicles	2,615
<b>Total Capital Expenditure Added to Fixed Assets</b>	<b>21,242</b>
Cathedral Quarter High Street HAZ	1,265
St Aldates Commuted Sum	6
Disabled Facilities Improvement Grants	595
Hempsted Way Play Area S106	58
Land East of Waterwells	73
Play Area Improvement Programme	65
Warm and Well Grants	20
<b>Total Revenue Expenditure Funded from Capital Under Statute (REFCUS)</b>	<b>2,082</b>
<b>Total Capital Expenditure</b>	<b>23,324</b>

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

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

## **5. Accounting Issues and Developments**

### **Pension Fund Deficit**

The Council's share of the deficit on the Pension Fund, as at 31 March 2022, has decreased from £58.4m to £45.7m see note 41 for further details.

## **6. A Summary of Non-Financial Performance**

In response to the on-going challenges facing local government and Gloucester City Council the Council Plan 2022-24 and the Money Plan 2021-26 have been developed to ensure the Council's strategic objectives and priorities are met.

Gloucester has a clearly defined vision: **"Building a greener, fairer, better Gloucester"**

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

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

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

The health and wellbeing of Gloucester's residents is at the heart of everything we do, and that's why we will tackle health inequalities, advocate for inclusivity, and take action to ensure a greener future for our city.

We value diversity and know our communities have many strengths, and we will listen and provide the support residents need to improve their own lives, while continuing to help our most vulnerable residents.

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

We know that transforming Gloucester into a city that our residents deserve is just as important as ensuring that visitors and investors see our city as a top destination, not only in the South West, but in the country.

To secure the future of our city in the post COVID-19 world we will continue to work with our partners to facilitate innovative and sustainable regeneration across Gloucester, drive the economic recovery to support local businesses, and showcase everything the city has to offer through provision of an inspiring cultural programme that is reflective of our diverse communities.

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

As we work towards achieving our ambitions for a better Gloucester, we remain committed to providing great, accessible services that offer value for money to our residents and doing so in a way that minimises our impact on the environment and promotes inclusion.

We know that technology is changing the way people live, work and connect and, through our ongoing digital transformation journey, we will ensure that customers can access more of our services quickly and efficiently online, allowing us to do more with less and focus our resources

# **NARRATIVE REPORT**

## **7. Significant Changes in Accounting Policies**

There have been no significant changes to accounting policies in the financial year.

## **8. Further Information**

Further details of the accounts can be obtained from the Head of Finance & Resources, North Warehouse, The Docks, Gloucester, GL1 2FB. Tel. (01452) 396422. A statement of the accounting policies used is shown on pages 16-25 and a glossary explaining some of the technical terms used is included on pages 77-80.

Hadrian Walters  
Head of Finance (Section 151 Officer)  
31st January 2024

# **EXPLANATION OF THE FINANCIAL STATEMENTS**

## **EXPLANATION OF THE FINANCIAL STATEMENTS**

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

### **Statements to the Accounts**

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

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

### **Core Financial Statements**

**Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

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

**Balance Sheet** shows the Council's financial position on 31 March 2022. It shows the balances and reserves at the Council's disposal at that date, and summarises the fixed and current net assets employed in carrying out the Council's functions.

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

### **Supplementary Statements**

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

# **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

## **The Council's responsibilities**

The Council is required to:

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

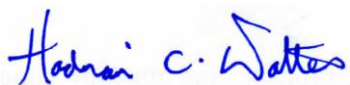
## **Responsibilities of Head of Finance (Section 151 Officer)**

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

In preparing the statement of accounts, the Head of Finance (Section 151 Officer) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Statement of Accounts presents a true and fair view of the financial position of Gloucester City Council at 31 March 2022 and its income and expenditure for the year ended on that date.

Signed  .....

13 December 2024  
Dated .....

**Hadrian Walters**  
**Head of Finance (Section 151 Officer)**

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# STATEMENT OF ACCOUNTING POLICIES

# **STATEMENT OF ACCOUNTING POLICIES**

## **STATEMENT OF ACCOUNTING POLICIES**

### **1 GENERAL PRINCIPLES**

This Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its financial position at 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 to be prepared in accordance with proper accounting practices. These practices, primarily, comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and the Service Reporting Code of Practice 2021/22, supported by International Financial Reporting Standards (IFRS).

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

### **2 ACCRUALS OF INCOME AND EXPENDITURE**

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted as income and expenditure on the basis of the effective interest rate for relevant financial instruments rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made against revenue for the income that might not be collected.

### **3 CRITICAL JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies, the council has had to make certain judgements about complex transactions or those which may be uncertain depending on future events.

### **4 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.

The following standards and amendments are not expected to be introduced until the 1 April 2024:

- IFRS 16

IFRS 16 is not anticipated to have a material effect on the financial statements or balances of the council since the changes mainly affect the recognition of leases by lessees and the authority does not have any material finance or operating lease liabilities as lessee. The Council also have not opted to adopt the standard early.

### **5 CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### **6 EXCEPTIONAL ITEMS**

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

### **7 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

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

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

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

# STATEMENT OF ACCOUNTING POLICIES

## 8 CHARGES TO REVENUE AND NON-CURRENT ASSETS

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

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

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

## 9 EMPLOYEE BENEFITS

### Benefits Payable During Employment

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

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

### Post Employment Benefits - Pensions

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

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

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% based on the indicative rate of return on the adoption of the AA corporate bond basis. This is at the IAS19 valuation date, subject to removal of recently re-rated bonds from the index.
- The assets of the LGPS attributable to the authority are included in the Balance Sheet at their fair value as follows:
  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unitised securities – current bid price; and
  - Property – market value.
- The change in the net pensions liability is analysed into the following components:

### Service Cost comprising

- **Current service cost** - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- **Past service cost** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
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### Remeasurements comprising:

- **The return on plan assets** - excluding amounts included in net interest on the net defined liability- credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Gains/losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Statement as part of Non Distributed Costs.
- **Actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

## **STATEMENT OF ACCOUNTING POLICIES**

### **9 EMPLOYEE BENEFITS (Continued)**

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

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

#### **Discretionary Benefits**

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

### **10 EVENTS AFTER THE BALANCE SHEET DATE**

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

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

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

### **11 FINANCIAL INSTRUMENTS**

#### **Financial Liabilities**

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

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

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

#### **Financial Assets**

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

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

#### **Financial assets at amortised cost**

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

#### **Expected Credit Loss Model**

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

#### **Fair value through OCI**

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

#### **Fair value through P&L**

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

# **STATEMENT OF ACCOUNTING POLICIES**

## **11 FINANCIAL INSTRUMENTS (continued)**

### ***Available-for-Sale Assets***

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

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

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

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

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

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

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

## **12 FOREIGN CURRENCY TRANSLATION**

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

## **13 GOVERNMENT GRANTS AND CONTRIBUTIONS**

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are transferred from the General Fund Balance to the Capital Grants Unapplied reserve, if the funds have not been spent, or the Capital Adjustment Account, if the funds have been used to finance capital expenditure, in the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **14 COUNCIL TAX AND NON-DOMESTIC RATES RECOGNITION**

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

Accounting for council tax and NDR

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

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

# **STATEMENT OF ACCOUNTING POLICIES**

## **15 HERITAGE ASSETS**

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or

The Council's heritage assets are included in the Balance Sheet at their insurance valuation which is based on market values. These insurance

Community assets (including parks but excluding archaeological sites), cemeteries and crematoria (land only) and allotments, where there are

The carrying values of heritage assets are reviewed where there is any indication that an asset may be impaired. Any impairment is recognised and

In the unlikely event of the disposal of heritage assets, the proceeds are accounted for on a similar basis to disposals of property, plant and

## **16 INTANGIBLE ASSETS**

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

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

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

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

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

## **17 INTEREST IN COMPANIES AND OTHER ENTITIES**

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

## **18 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.

## **19 INVESTMENT PROPERTY**

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

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

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

# **STATEMENT OF ACCOUNTING POLICIES**

## **20 LEASES**

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **The Council as Lessee**

#### ***Finance Leases***

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment which reduces the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

#### ***Operating Leases***

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

### **The Council as Lessor**

#### ***Finance Leases***

Where the Council grants a finance lease over a property or item of property, plant and equipment the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset is written-off to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals are apportioned between:

- A charge for acquisition of the interest in the property- applied to write-down the lease debtor (together with any premiums received) and;
- Finance income - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received the element for the capital receipt for the disposal of the asset is used to write-down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

#### ***Operating Leases***

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

# **STATEMENT OF ACCOUNTING POLICIES**

## **21 OVERHEADS AND SUPPORT SERVICES**

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

## **22 PROPERTY, PLANT AND EQUIPMENT**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### **Recognition**

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

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

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

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Infrastructure, community assets and assets under construction – at depreciated historical cost.
- Council offices - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).
- Surplus assets - the current value measurement base is fair value, estimated at the highest and best use from a market participant's perspective.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

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

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

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

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

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



# **STATEMENT OF ACCOUNTING POLICIES**

## **22 PROPERTY, PLANT AND EQUIPMENT (continued)**

### **Component accounting**

Component accounting thresholds have been set as the lower of:

- \* Component assets over £350,000 (2020/21 £350,000) in value; or
- \* Component assets value at least 20% of the overall asset value.

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

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

### **Impairment**

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

Where impairment losses are identified, they are accounted for as follows:

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

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation on assets acquired commences with effect from 1 April in the next financial year.

Depreciation is calculated on the following bases:

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

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

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

# **STATEMENT OF ACCOUNTING POLICIES**

## **22 PROPERTY, PLANT AND EQUIPMENT (continued)**

### **Disposals and Non-current Assets Held for Sale**

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## **23 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

### **Provisions**

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

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

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

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

# STATEMENT OF ACCOUNTING POLICIES

## 24 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### Provisions

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

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

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

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

### Contingent Liabilities

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

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

### Contingent Assets

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

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

## 25 RESERVES

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

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

## 26 REVENUE AND EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

## 27 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.

## 28 GROUP ACCOUNTS

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

### Interests in Companies and Other Entities

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

### Accounting for Joint Venture

The group accounts bring together the Council's own accounts with those of Gloucestershire Airport Limited (GAL), in which the council has a 50% shareholding. GAL has been treated as a Joint Venture since it is jointly owned and controlled with Cheltenham Borough Council. GAL has therefore been incorporated within the Council's accounts on an equity accounting basis, in which the Council's share of the company's operating results and net assets or liabilities (based on its proportionate shareholding) are shown as separate lines in the main group statements. There is no requirement to adjust for inter-organisation transactions and balances.

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# **CORE FINANCIAL STATEMENTS**

## CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL MOVEMENT IN RESERVES STATEMENT For the year ended 31 March 2022						
<p>This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Total Comprehensive Income can Expenditure line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.</p>						
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2020</b>	<b>5,534</b>	<b>192</b>	<b>3,732</b>	<b>9,458</b>	<b>(2,545)</b>	<b>6,913</b>
<b><i>Movement in Reserves during 2020/21</i></b>						
Total Comprehensive Income and Expenditure	(11,619)	-	-	(11,619)	(812)	(12,431)
Adjustments between accounting basis and funding basis under regulation (Note 6)	21,284	44	(1,105)	20,223	(20,223)	-
<b><i>Increase/(Decrease) in 2020/21</i></b>	<b>9,665</b>	<b>44</b>	<b>(1,105)</b>	<b>8,604</b>	<b>(21,035)</b>	<b>(12,431)</b>
<b>Balance at 31 March 2021</b>	<b>15,199</b>	<b>236</b>	<b>2,627</b>	<b>18,062</b>	<b>(23,580)</b>	<b>(5,518)</b>
<b><i>Movement in Reserves during 2021/22</i></b>						
Total Comprehensive Income and Expenditure	3,459	-	-	3,459	18,391	21,850
Adjustments between accounting basis and funding basis under regulation (Note 6)	(9,932)	(163)	1,030	(9,065)	9,065	-
<b><i>Increase/(Decrease) in 2021/22</i></b>	<b>(6,473)</b>	<b>(163)</b>	<b>1,030</b>	<b>(5,606)</b>	<b>27,456</b>	<b>21,850</b>
<b>Balance at 31 March 2022</b>	<b>8,726</b>	<b>73</b>	<b>3,657</b>	<b>12,456</b>	<b>3,876</b>	<b>16,332</b>

## CORE FINANCIAL STATEMENTS

### GLOUCESTER CITY COUNCIL GROUP MOVEMENT IN RESERVES STATEMENT For the year ended 31 March 2022

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

	Useable			Unusable			Total Group Reserves
	Council	Council's Share of Subsidiaries, Joint Ventures and Associates	Total Group	Council	Council's Share of Subsidiaries, Joint Ventures and Associates	Total Group	
	£000	£000	£000	£000	£000	£000	
<b>Balance at 1 April 2020</b>	<b>9,458</b>	<b>(1,526)</b>	<b>7,932</b>	<b>(2,545)</b>	<b>12,533</b>	<b>9,988</b>	<b>17,920</b>
<b><i>Movement in Reserves during 2020/21</i></b>							
Total Comprehensive Income and Expenditure	(11,619)	172	(11,447)	(812)	2,037	1,225	(10,222)
Adjustments between company reserves	-	(605)	(605)	-	605	605	-
Adjustments between accounting basis and funding basis under regulation	20,223	-	20,223	(20,223)	-	(20,223)	-
<b><i>Increase/(Decrease) in 2020/21</i></b>	<b>8,604</b>	<b>(433)</b>	<b>8,171</b>	<b>(21,035)</b>	<b>2,642</b>	<b>(18,393)</b>	<b>(10,222)</b>
<b>Balance at 31 March 2021</b>	<b>18,062</b>	<b>(1,959)</b>	<b>16,103</b>	<b>(23,580)</b>	<b>15,175</b>	<b>(8,405)</b>	<b>7,698</b>
<b><i>Movement in Reserves during 2021/22</i></b>							
Total Comprehensive Income and Expenditure	3,459	(300)	3,159	18,391	(390)	18,001	21,160
Adjustments between company reserves	-	(1,877)	(1,877)		1,877	1,877	-
Adjustments between accounting basis and funding basis under regulation	(9,065)	-	(9,065)	9,065	-	9,065	-
<b><i>Increase/(Decrease) in 2021/22</i></b>	<b>(5,606)</b>	<b>(2,177)</b>	<b>(7,783)</b>	<b>27,456</b>	<b>1,487</b>	<b>28,943</b>	<b>21,160</b>
<b>Balance at 31 March 2022</b>	<b>12,456</b>	<b>(4,136)</b>	<b>8,320</b>	<b>3,876</b>	<b>16,662</b>	<b>20,538</b>	<b>28,858</b>

# CORE FINANCIAL STATEMENTS

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

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

2020/21					EXPENDITURE AND FUNDING ANALYSIS	2021/22				
General Fund Outturn excluding earmarked reserve movement	Adjusted for Movement on Earmarked Reserves	Net Expenditure Chargeable to the General Fund Balance	Adjustment between the funding and accounting basis (note 28)	Net Expenditure in the Comprehensive Income and Expenditure Statement		General Fund Outturn excluding earmarked reserve movement	Adjusted for Movement on Earmarked Reserves	Net Expenditure Chargeable to the General Fund Balance	Adjustment between the funding and accounting basis (note 28)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
1,402	13	1,389	(876)	2,265	Communities and Neighbourhoods	940	(43)	983	(1,287)	2,270
1,767	(73)	1,840	(302)	2,142	Culture	1,420	(65)	1,485	(502)	1,987
5,689	46	5,643	(440)	6,083	Environment	4,251	(89)	4,340	(977)	5,317
654	213	441	(722)	1,163	Housing and Planning	(83)	(83)	-	(1,433)	1,433
973	(335)	1,308	(689)	1,997	Performance and Resources	9,356	289	9,067	(1,635)	10,702
(3,202)	(197)	(3,005)	412	(3,417)	Regeneration and Economy	(6,041)	(657)	(5,384)	(4,197)	(1,187)
7,283	(333)	7,616	(2,617)	10,233	Net Cost of Services	9,843	(648)	10,491	(10,031)	20,522
(7,160)	10,121	(17,281)	(18,667)	1,386	Other Income and Expenditure	(9,413)	(5,395)	(4,018)	19,963	(23,981)
<b>123</b>	<b>9,788</b>	<b>(9,665)</b>	<b>(21,284)</b>	<b>11,619</b>	<b>(Surplus) or Deficit</b>	<b>430</b>	<b>(6,043)</b>	<b>6,473</b>	<b>9,932</b>	<b>(3,459)</b>
		5,534			Opening General Fund balance including earmarked reserves at 1st April			15,199		
		9,665			Add surplus / (deficit) in year			(6,473)		
		<b>15,199</b>			Closing General Fund balance including earmarked reserves at 31 March			<b>8,726</b>		

# CORE FINANCIAL STATEMENTS

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

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

2020/21			Description	2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
5,215	(2,950)	2,265	<b>Communities and Neighbourhoods</b>	5,260	(2,990)	2,270
2,252	(109)	2,143	<b>Culture</b>	3,356	(1,369)	1,987
10,575	(4,492)	6,083	<b>Environment</b>	11,281	(5,964)	5,317
1,890	(727)	1,163	<b>Housing and Planning</b>	2,557	(1,124)	1,433
44,506	(37,385)	7,121	<b>Performance and Resources</b>	44,047	(33,345)	10,702
8,648	(8,007)	641	<b>Regeneration and Economy</b>	8,892	(10,079)	(1,187)
<b>73,086</b>	<b>(53,670)</b>	<b>19,416</b>	<b>(Surplus) / Deficit on Operations</b>	<b>75,393</b>	<b>(54,871)</b>	<b>20,522</b>
250	602	852	<b>Other Operating Expenditure (Note 8)</b>	737	-	737
15,590	(1,230)	14,360	<b>Financing and investment income and expenditure (Note 9)</b>	5,286	(6,763)	(1,477)
17,329	(40,338)	(23,009)	<b>Taxation and Non-specific Grant Income (Note 10)</b>	17,161	(40,402)	(23,241)
<b>106,255</b>	<b>(94,636)</b>	<b>11,619</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>98,577</b>	<b>(102,036)</b>	<b>(3,459)</b>
(10,443)	-	(10,443)	<i>Items that will not be reclassified to the (surplus) or deficit on the provision for services</i>	-	(1,422)	(1,422)
			<b>Gains on revaluation of Property, Plant and Equipment assets</b>	-	(1,422)	(1,422)
1,260	-	1,260	<b>(Gains) / Losses on revaluation of available-for-sale financial assets</b>	-	(942)	(942)
-	9,995	9,995	<b>Re-measurement of the net defined benefit liability (Note 41)</b>	-	(16,027)	(16,027)
<b>(9,183)</b>	<b>9,995</b>	<b>812</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>(18,391)</b>	<b>(18,391)</b>
<b>97,072</b>	<b>(84,641)</b>	<b>12,431</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>98,577</b>	<b>(120,427)</b>	<b>(21,850)</b>



# CORE FINANCIAL STATEMENTS

## GLOUCESTER CITY COUNCIL GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

For the year ended 31 March 2022

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

2020/21			Description	2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
5,215	(2,950)	2,265	<b>Communities and Neighbourhoods</b>	5,260	(2,990)	2,270
2,252	(109)	2,143	<b>Culture</b>	3,356	(1,369)	1,987
10,575	(4,492)	6,083	<b>Environment</b>	11,281	(5,964)	5,317
1,890	(727)	1,163	<b>Housing and Planning</b>	2,557	(1,124)	1,433
44,506	(37,385)	7,121	<b>Performance and Resources</b>	44,047	(33,345)	10,702
8,648	(8,007)	641	<b>Regeneration and Economy</b>	8,892	(10,079)	(1,187)
<b>73,086</b>	<b>(53,670)</b>	<b>19,416</b>	<b>(Surplus)/Deficit on Operations</b>	<b>75,393</b>	<b>(54,871)</b>	<b>20,522</b>
250	602	852	<b>Other Operating Expenditure (Note 8)</b>	737	-	737
15,590	(1,230)	14,360	<b>Financing and investment income and expenditure (Note 9)</b>	5,286	(6,763)	(1,477)
17,329	(40,338)	(23,009)	<b>Taxation and Non-specific Grant Income (Note 10)</b>	17,161	(40,402)	(23,241)
<b>106,255</b>	<b>(94,636)</b>	<b>11,619</b>	<b>Deficit on Provision of Services</b>	<b>98,577</b>	<b>(102,036)</b>	<b>(3,459)</b>
		(196)	<b>Share of the (Surplus)/Deficit on the provision of Services</b>			(385)
			Joint Ventures			
		24	<b>Share of Tax Expenses</b>			685
			Joint Ventures			
		<b>11,447</b>	<b>Group Deficit</b>			<b>(3,159)</b>
		(10,443)	<i>Items that will not be reclassified to the (surplus) or deficit on the provision for services</i>			
			<b>(Gains) / Losses on revaluation of Property, Plant and Equipment assets</b>			(1,422)
		9,995	<b>Actuarial (Gains) / Losses on pension assets / liabilities</b>			(16,027)
		1,260	<b>Gain / Loss on revaluation of available-for-sale financial assets</b>			(942)
			<b>Share of Other Comprehensive Income and Expenditure</b>			
		537	Joint Ventures			(390)
		<b>1,349</b>	<b>Group Other Comprehensive Income and Expenditure</b>			<b>(18,781)</b>
<b>12,796</b>			<b>Total Comprehensive Income and Expenditure</b>			<b>(21,940)</b>

**GLOUCESTER CITY COUNCIL**

## CORE FINANCIAL STATEMENTS

### GLOUCESTER CITY COUNCIL BALANCE SHEET As at 31 March 2022

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

	Notes	31/03/2022 £000	31/03/2021 £000
Property, Plant & Equipment	11	124,016	105,693
Investment Property	12	53,889	48,627
Heritage Assets	13	7,030	7,007
Intangible Assets	14	196	595
Long term Investments	15,44	10,677	9,581
Long term Debtors	15,19(i)	735	2,201
<b>Long term Assets</b>		<b>196,543</b>	<b>173,704</b>
Assets held for Sale	16	4,500	4,214
Inventories	17	15	15
Short term Debtors	15,19	31,170	25,811
Cash and Cash Equivalents	20	9,193	5,477
<b>Current Assets</b>		<b>44,878</b>	<b>35,517</b>
<b>Total Assets</b>		<b>241,421</b>	<b>209,221</b>
Short term Borrowing	15,21(i)	(42,230)	(39,469)
Short term Creditors	15,21	(31,511)	(13,129)
Provisions (<1yr)	22	(1,591)	(1,474)
<b>Current Liabilities</b>		<b>(75,332)</b>	<b>(54,072)</b>
Provisions	22	(175)	(136)
Long term Borrowing	15,21(ii)	(96,523)	(99,592)
Capital Grants Received in Advance	35	(3,289)	(2,375)
Deferred Income		(4,081)	(198)
Other Long term Liabilities	41	(45,689)	(58,366)
<b>Long term Liabilities</b>		<b>(149,757)</b>	<b>(160,667)</b>
<b>Net (Liabilities) / Assets</b>		<b>16,332</b>	<b>(5,518)</b>
Usable Reserves	23	12,456	18,062
Unusable Reserves	24	3,876	(23,580)
<b>Total Reserves</b>		<b>16,332</b>	<b>(5,518)</b>

## CORE FINANCIAL STATEMENTS

### GLOUCESTER CITY COUNCIL GROUP BALANCE SHEET

As at 31 March 2022

The group balance sheet has been prepared by combining the Council's share of the net assets of Gloucestershire Airport Ltd (50% of the total, adjusted for revaluations), with the net assets of the Council.

As a Joint Venture, the Council's share of the net assets and liabilities in Gloucestershire Airport Limited has been included as long-term investment.

	Note	31/03/2022 £000	31/03/2021 £000
Property, Plant & Equipment	11	124,016	105,693
Investment Property	12	53,889	48,627
Heritage Assets	13	7,030	7,007
Intangible Assets	14	196	595
Long term Investments	15,44	10,677	9,487
Long term Debtors	15,19(i)	735	2,201
Investment in Joint Venture		12,526	13,310
<b>Long term Assets</b>		<b>209,069</b>	<b>186,920</b>
Assets held for Sale	16	4,500	4,214
Inventories	17	15	15
Short term Debtors	15,19	31,170	25,811
Cash and Cash Equivalents	20	9,193	5,477
<b>Current Assets</b>		<b>44,878</b>	<b>35,517</b>
<b>Total Assets</b>		<b>253,947</b>	<b>222,437</b>
Short term Borrowing	15, 21(i)	(42,230)	(39,469)
Short term Creditors	15,21	(31,511)	(13,129)
Provisions (<1yr)	22	(1,591)	(1,474)
<b>Current Liabilities</b>		<b>(75,332)</b>	<b>(54,072)</b>
Provisions	22	(175)	(136)
Long term Borrowing	15,21(ii)	(96,523)	(99,592)
Capital Grants Received in Advance	35	(3,289)	(2,375)
Deferred Income		(4,081)	(198)
Other Long term Liabilities	41	(45,689)	(58,366)
<b>Long term Liabilities</b>		<b>(149,757)</b>	<b>(160,667)</b>
<b>Net Assets</b>		<b>28,858</b>	<b>7,698</b>
Usable Reserves	23	8,320	16,103
Unusable Reserves	24	20,538	(8,405)
<b>Total Reserves</b>		<b>28,858</b>	<b>7,698</b>

# CORE FINANCIAL STATEMENTS

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

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. No separate group cash flow is presented as there are no differences between the group and Council cash flow.

		2021/22 £000	2020/21 £000
	Notes		
<b>Deficit/(Surplus) on the provision of services</b>		<b>3,459</b>	<b>(11,619)</b>
Adjustments in respect of non-cash movements		21,174	8,375
Adjustments in respect of items that are investing and financing activities		(7,009)	(4,391)
<b>Net Cash Flows from Operating Activities</b>	<b>25</b>	<b>17,624</b>	<b>(7,635)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>26</b>	<b>(17,062)</b>	<b>18,695</b>
<b>Net Cash Flows from Financing Activities</b>	<b>27</b>	<b>3,154</b>	<b>(13,885)</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>		<b>3,716</b>	<b>(2,825)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>5,477</b>	<b>8,302</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>9,193</b>	<b>5,477</b>

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



# **NOTES TO THE CORE FINANCIAL STATEMENTS**

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

The Code of Practice requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. There are standards which are to be adopted in 2022/23 which may impact upon the Council's accounts.

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

IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS

IAS 37 (Onerous contracts) – clarifies the intention of the standard

IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

### 2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING PRINCIPLES

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

There is a high degree of uncertainty about future levels of funding for local Government.

The rental guarantee sum received for the Kings Walk Shopping Centre has been treated as deferred income and is to be released to the Council's General Fund over five years to July 2022. The sum received was £4.78m. In 2021/22 £791k was released to the General Fund with the remainder to be released in 2022/23.

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

### 3 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors, however, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	The Covid-19 pandemic and lockdown arrangements in place since March 2020 have had a significant impact on daily life and the global and UK economies. This could still affect the carrying values of assets carried at existing use and fair value due to the uncertainty in the assumptions used in their valuation. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	There is more information available than in the previous year to understand the impact of the continuing uncertainties on the carrying value of these assets. There is still uncertainty around the extent and duration of the effect of lockdown measures on the wider economy in the long term, and there is currently insufficient evidence available to assess this. However, although any reduction in carrying values would reduce the council's 'net worth', in themselves they would have no impact on the authority's revenue account and ability to deliver services, since they are chargeable to unusable reserves and not the surplus or deficit on the provision of services. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £117k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects of the net pension liability of changes in individual assumptions can be measured. For instance a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £2.865 million. The assumptions, however, interact in complex ways. During 2021/22 the Council's actuaries advised that the net pensions liability had decreased by £13.713 million as a direct result of changes to the financial assumptions in the previous year.
Provision for Business Rates Appeals	The Council maintains a provision for outstanding business rates appeals. The provision has been calculated based on the current list of live appeals, using analysis of historical rates of successful appeals and percentage reduction in rateable value.	The Council has calculated the appeals provision based on the possible reduction in rates received. If the % of appeals which were successful increased by 1% across all classes of property, an additional £10k would have to be set aside.
Arrears	At 31 March 2022, the Council had a balance of sundry debtors of £2.062 million. A review of the aged debt profile and recovery percentages suggested that an allowance for doubtful debts of approximately 15.58% is appropriate. In the current economic climate, however, it is not certain that such a provision would be sufficient.	If collection rates were to deteriorate, the provision made for doubtful debts would need to increase based on the actual levels of recovery achieved. It is estimated that a 1% increase in the required provision would result in an increase in the allowance of £21k.

### 4 MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

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

Details of the pension deficit are included in note 41.

### 5 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts were prepared on 28th February 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As at the date of Audit committee signing the accounts no adjusting post Balance Sheet events have been identified.

However, in June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II limited) ruled that certain historical amendment for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgement was upheld by the Court of Appeal on 25 July 2024. The applicability of this case to public sector pension schemes, including the LGPS, is currently uncertain and it is not possible to quantify the potential impact (if any) on the associated transactions and balances in the Council's accounts. For this reason, no allowance for the potential impact of the Virgin Media case has been recognised in the Statement of Accounts. The Council, assisted by its actuary, will continue to monitor development in this area.

# **NOTES TO THE CORE FINANCIAL STATEMENTS**

## **6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER THE REGULATIONS**

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

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

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

### 2021/22 Information

	Usable Reserves £'000		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
<b>Adjustments to the Revenue Resources</b>			
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>			
Pension Costs (transferred to or from Pensions Reserve)	(3,210)	-	-
Charges for depreciation of non-current assets	(4,864)	-	-
Revaluation losses on Property, Plant and Equipment and assets held for sale	(5,435)	-	-
Movement in the fair value of investment property	11,295	-	-
Capital Grants and Contributions	6,600	-	(6,600)
Revenue expenditure funded from capital under statute	(1,715)	-	-
Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account	6,509	-	-
Revenue financing of capital expenditure	-	-	-
Holiday Pay transferred to the Accumulated Absences Account	43	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(898)	-	-
<b>Total adjustments to Revenue Resources</b>	<b>8,325</b>	<b>-</b>	<b>(6,600)</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	489	(489)	-
Statutory and voluntary provision for the repayment of debt transferred to the Capital Adjustment Account	891	-	-
<b>Total adjustments between Revenue and Capital Resources</b>	<b>1,380</b>	<b>(489)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance new capital expenditure	(652)	652	-
Application of capital grants and contributions to fund capital expenditure	-	-	5,570
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	879	-	-
<b>Total adjustments to Capital Resources</b>	<b>227</b>	<b>652</b>	<b>5,570</b>
<b>Total Adjustments</b>	<b>9,932</b>	<b>163</b>	<b>(1,030)</b>



# NOTES TO THE CORE FINANCIAL STATEMENTS

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

### 2020/21 Information

	Usable Reserves £'000		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
<b>Adjustments to the Revenue Resources</b>			
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>			
Pension Costs (transferred to or from Pensions Reserve)	7,755	-	-
Charges for depreciation of non-current assets	(4,824)	-	-
Revaluation losses on Property, Plant and Equipment and assets held for sale	(5,124)	-	-
Movement in the fair value of investment property	(10,203)	-	-
Capital Grants and Contributions	3,880	-	(3,880)
Revenue expenditure funded from capital under statute	(1,281)	-	-
Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account	(12,227)	-	-
Revenue financing of capital expenditure	500	-	-
Holiday Pay transferred to the Accumulated Absences Account	(33)	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(1,108)	-	-
<b>Total adjustments to Revenue Resources</b>	<b>(22,665)</b>	<b>-</b>	<b>(3,880)</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	511	(511)	-
Statutory and voluntary provision for the repayment of debt transferred to the Capital Adjustment Account	870	-	-
<b>Total adjustments between Revenue and Capital Resources</b>	<b>1,381</b>	<b>(511)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance new capital expenditure	-	467	-
Application of capital grants and contributions to fund capital expenditure	-	-	4,985
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-
<b>Total adjustments to Capital Resources</b>	<b>-</b>	<b>467</b>	<b>4,985</b>
<b>Total Adjustments</b>	<b>(21,284)</b>	<b>(44)</b>	<b>1,105</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7 TRANSFERS TO/(FROM) EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

Reserve No.		Balance at 31/03/2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31/03/2021 £000	Balance at 31/03/2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31/03/2021 £000
	<b>General Fund:</b>								
1	Historic Buildings Reserve	53	-	-	53	53	-	-	53
2	Portfolio Reserves	60	-	-	60	60	-	-	60
3	Members Allocation Reserve	-	-	-	-	1	-	-	-
4	Shopmobility Reserve	29	1	-	28	29	-	-	29
5	Regeneration Reserve	82	377	440	145	23	191	250	82
6	Insurance Reserve	10	-	-	10	10	-	-	10
7	Land Adoption Reserve	873	-	1	874	827	-	46	873
8	VAT Shelter Reserve	160	350	357	167	418	500	242	160
9	Business Rates Reserve	1,024	1	-	1,023	974	-	50	1,024
10	Trading Development Reserve	-	-	-	-	-	-	-	-
11	Environmental Reserve	900	-	-	900	1,000	100	-	900
12	Repairs Reserve	23	-	-	23	-	-	23	23
13	Community Builder Reserve	62	33	-	29	54	-	8	62
14	Planning Strategy Reserve	248	83	-	165	35	-	213	248
15	Economic Development Reserve	-	-	-	-	-	-	-	-
16	Flooding Works Reserve	10	-	-	10	10	-	-	10
17	Meet and Greet Reserve	4	4	-	-	4	-	-	4
18	Police Contribution Reserve	-	-	-	-	-	-	-	-
19	Lottery Reserve	22	8	7	21	20	3	5	22
20	Great Places Reserve	22	22	-	-	93	71	-	22
21	Museum Reserve	305	-	-	305	305	-	-	305
22	EU Exit Reserve	-	-	-	-	17	17	-	-
23	Recovery Reserve	100	-	-	100	100	-	-	100
24	MTFP Reserve	17	331	558	244	-	-	17	17
25	Destination Marketing Reserve	200	50	-	150	-	-	200	200
26	Homelessness Reserve	100	-	-	100	-	-	100	100
27	Planning Appeals Reserve	50	-	-	50	-	-	50	50
28	Communities Reserve	30	12	-	18	-	-	30	30
29	Climate Change Reserve	100	34	-	66	-	-	100	100
30	Neighbourhood Spaces Reserve	100	43	-	57	-	-	100	100
31	Defibrillator Reserve	6	-	-	6	-	-	6	6
32	Property Sinking Fund Reserve	300	300	-	-	-	-	300	300
33	Collection Fund timing reserve	8,930	9,516	3,397	2,811	-	-	8,930	8,930
34	Health Inequalities Reserve	-	-	60	60	-	-	-	-
	<b>Total</b>	<b>13,820</b>	<b>11,165</b>	<b>4,820</b>	<b>7,475</b>	<b>4,033</b>	<b>883</b>	<b>10,670</b>	<b>13,820</b>

#### Reserve

##### No. Further details of reserve balances

- |  |  |
|--|--|
| <p>1 <b><u>Historic Buildings Reserve</u></b><br/>refurbishment of historic buildings in the City and will fund an agreed award</p> <p>2 <b><u>Portfolio Reserves</u></b><br/>This reserve is for housing surveys undertaken every three to four years.</p> <p>3 <b><u>Members Allocation Reserve</u></b><br/>The reserve represents the remainder of members individual grant allocations.</p> <p>4 <b><u>Shopmobility Reserve</u></b><br/>Donated funds for shopmobility for use specifically on the shopmobility service.</p> <p>5 <b><u>Regeneration Reserve</u></b><br/>The reserve is intended for the delivery of key regeneration priorities.</p> <p>6 <b><u>Insurance Reserve</u></b><br/>This reserve is intended to cover possible insurance claims not able to be met from the Insurance Provision (see note 22, page 51).</p> <p>7 <b><u>Land Adoption Reserve</u></b><br/>The reserve contains contributions received from developers upon the adoption of open space on housing development. The reserve will be used to fund increased grounds maintenance costs in future years.</p> <p>8 <b><u>VAT Shelter Reserve</u></b><br/>Earmarked for future regeneration and housing projects.</p> <p>9 <b><u>Business Rates Reserve</u></b><br/>A reserve to be used to protect the Council's General Fund from fluctuations in business rates income expected as a result of Fair Funding and Spending</p> <p>11 <b><u>Environmental Reserve</u></b><br/>The Council has ongoing potential environmental liabilities from the housing stock transfer, including potential asbestos work liability and contaminated land.</p> <p>12 <b><u>Repairs Reserve</u></b><br/>The Council has significant exposure to major repairs which are currently unbudgeted and could be a significant risk. This reserve is intended to assist in offsetting potential future liabilities.</p> <p>13 <b><u>Community Builder Reserve</u></b><br/>A reserve to fund future community building work.</p> <p>14 <b><u>Planning Strategy Reserve</u></b><br/>A reserve to meet the future costs of the City Plan review.</p> <p>16 <b><u>Flooding Works Reserve</u></b><br/>This reserve holds fund for use on future flood prevention capital projects.</p> <p>17 <b><u>Meet and Greet Reserve</u></b><br/>The reserve holds funding that the Council has put to one side to fund the Coach Meet and Greet Scheme.</p> | <p>19 <b><u>Lottery Reserve</u></b><br/>This reserve holds funding generated by Gloucester Lottery to be distributed to the voluntary sector.</p> <p>20 <b><u>Great Place Reserve</u></b><br/>This reserve is in place to support Great Place.</p> <p>21 <b><u>Museum Reserve</u></b><br/>This reserve holds funding received via bequest.</p> <p>22 <b><u>EU Exit Reserve</u></b><br/>This reserve holds funding received towards the costs of leaving the European Union.</p> <p>23 <b><u>Recovery Reserve</u></b><br/>This reserve will be used to meet costs associated with Covid-19.</p> <p>24 <b><u>MTFP Reserve</u></b><br/>This reserve was established to provide a buffer with which to deal with the uncertainties in the forward financial planning process arising from changes in the funding for local authorities</p> <p>25 <b><u>Destination Marketing Reserve</u></b><br/>This reserve will meet the delivery of the two year destination marketing plan</p> <p>26 <b><u>Homelessness Reserve</u></b><br/>Reserve will support delivery of the homelessness strategy and implementation of a private landlord scheme</p> <p>27 <b><u>Planning Appeals Reserve</u></b><br/>Reserve will protect the Council against future planning appeals</p> <p>28 <b><u>Communities Reserve</u></b><br/>Reserve future the work of City Safe and Street Aware projects</p> <p>29 <b><u>Climate Change Reserve</u></b><br/>The reserve will contribute to the Councils response to the Climate emergency</p> <p>30 <b><u>Neighbourhood Spaces Reserve</u></b><br/>This reserve will fund improvements to small areas of public open space and community gardens</p> <p>31 <b><u>Defibrillator Reserve</u></b><br/>This reserve will be used to procure defibrillators</p> <p>32 <b><u>Property Sinking Fund Reserve</u></b><br/>This reserve will meet known and future commitments on the Councils property investments</p> <p>33 <b><u>Collection Fund Timing Reserve</u></b><br/>The government granted business rates relief to retail, hospitality and leisure services during 2021/22 and compensated Councils for the reliefs with Section 31 grant. These reliefs must be shown as a deficit on the Councils share of income within the Collection Fund Adjustment account reserve, while grant income must be shown within the Councils General Fund.</p> <p>34 <b><u>Health Inequalities Reserve</u></b><br/>This reserve will cover shortfalls associated with healthcare inequalities across Gloucester</p> |
|--|--|

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 8 OTHER OPERATING INCOME AND EXPENDITURE

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

### 9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	GCC	GCC	Group	Group
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Interest payable and similar charges	3,697	3,930	3,697	3,930
Interest and Investment property income	(407)	(1,230)	(407)	(1,230)
Pensions Interest and Expected Return on pensions assets	1,186	1,188	1,186	1,188
Expenditure on investment properties	(990)	269	(990)	269
Changes in fair value of investment properties	(4,963)	10,203	(4,963)	10,203
<b>Total</b>	<b>(1,477)</b>	<b>14,360</b>	<b>(1,477)</b>	<b>14,360</b>

### 10 TAXATION AND NON-SPECIFIC GRANT INCOME

	GCC	GCC	Group	Group
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Income from the Collection Fund - Council Tax income	(8,081)	(8,550)	(8,081)	(8,550)
Collection Fund (Surplus) / Deficit	4,084	12,224	4,084	12,224
Business rates tariff	16,330	16,330	16,330	16,330
Business rates levy	831	999	831	999
Retained Business Rates	(21,875)	(21,964)	(21,875)	(21,964)
Revenue Support Grant (RSG)	(88)	(87)	(88)	(87)
New homes bonus	(803)	(977)	(803)	(977)
Business rates Section 31 grant	(5,194)	(11,464)	(5,194)	(11,464)
Other Grants	(342)	(1,145)	(342)	(1,145)
Covid-19 Grants	(1,503)	(4,495)	(1,503)	(4,495)
Capital Grants	(6,600)	(3,880)	(6,600)	(3,880)
<b>Total</b>	<b>(23,241)</b>	<b>(23,009)</b>	<b>(23,241)</b>	<b>(23,009)</b>

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 11 PROPERTY, PLANT AND EQUIPMENT Movements on Balances

Movements in 2021/22	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>							
<b>At 1 April 2021</b>	84,882	13,586	13,860	5,533	2,648	302	120,811
<b>Reversal of In Year Enhancement Adjust Assets W/Off</b>	(241)	(399)	530	110	-	-	-
<b>Revised Total At 1 April 2021</b>	84,641	13,187	14,390	4,875	2,648	302	120,043
Additions	3,146	2,723	578	103	14,692	-	21,242
Revaluation increases/(decreases) recognised in the Revaluation Reserve	779	-	-	-	-	-	779
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(5,558)	-	-	-	-	-	(5,558)
Transfers between classes of Services	5,205	-	-	-	65	125	5,395
Assets Written Off	(240)	(150)	-	-	-	-	(390)
<b>At 31 March 2022</b>	<b>87,973</b>	<b>15,760</b>	<b>14,968</b>	<b>4,978</b>	<b>17,405</b>	<b>427</b>	<b>141,511</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2021</b>	279	7,387	6,275	1,120	57	-	15,118
<b>Reversal of In Year Depn Adjust Assets W/Off</b>	1	(213)	55	176	(20)	-	(1)
<b>Revised Total At 1 April 2021</b>	280	7,174	6,330	1,043	37	-	14,864
Adjst re Reversal of Depn	-	-	-	(795)	(37)	-	(832)
Depreciation Charge	2,882	962	460	52	-	3	4,359
Derecognition – Disposals	-	-	-	-	-	-	-
Assets written Off	(55)	(51)	-	-	-	-	(106)
Transfers between classes	(1)	-	-	-	1	-	-
Revaluation	(123)	-	-	-	-	-	(123)
Revaluation Reserve	(664)	-	-	-	-	(3)	(667)
<b>At 31 March 2022</b>	<b>2,319</b>	<b>8,085</b>	<b>6,790</b>	<b>300</b>	<b>1</b>	<b>-</b>	<b>17,495</b>
<b>Net book value as at 31 March 2022</b>	<b>85,654</b>	<b>7,675</b>	<b>8,178</b>	<b>4,678</b>	<b>17,404</b>	<b>427</b>	<b>124,016</b>
<b>Net book value as at 31 March 2021</b>	<b>84,603</b>	<b>6,199</b>	<b>7,585</b>	<b>4,413</b>	<b>2,591</b>	<b>302</b>	<b>105,693</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

Comparative Figures 2020/21

Movements in 2020/21	Other Land and Buildings Restated £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>							
<b>At 1 April 2020</b>	<b>80,836</b>	<b>14,388</b>	<b>13,936</b>	<b>5,440</b>	<b>853</b>	<b>734</b>	<b>116,187</b>
Additions	2,934	506	2,221	170	167	-	5,998
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,336	-	-	-	-	63	8,399
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(5,587)	-	-	-	-	-	(5,587)
Derecognition – Disposals	-	-	-	-	-	(495)	(495)
Assets Impairment recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Transfers between classes	(695)	-	(1,578)	32	1,628	-	(613)
Assets Written Off	(942)	(1,308)	(719)	(109)	-	-	(3,078)
<b>At 31 March 2021</b>	<b>84,882</b>	<b>13,586</b>	<b>13,860</b>	<b>5,533</b>	<b>2,648</b>	<b>302</b>	<b>120,811</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2020</b>	<b>672</b>	<b>7,566</b>	<b>6,571</b>	<b>1,017</b>	-	-	<b>15,826</b>
Depreciation Charge	2,530	1,077	440	183	21	12	4,263
Derecognition – Disposals	-	-	-	-	-	(9)	(9)
Assets reclassified as held for sale	-	-	-	-	-	-	-
Other reclassifications	-	-	-	-	-	-	-
Assets Impairment	-	-	-	-	-	-	-
Assets written Off	(372)	(1,256)	(719)	(109)	-	-	(2,456)
Transfers between classes	(48)	-	(17)	29	36	-	-
Revaluation	(463)	-	-	-	-	-	(463)
Other movements in cost or valuation	(2,040)	-	-	-	-	(3)	(2,043)
<b>At 31 March 2021</b>	<b>279</b>	<b>7,387</b>	<b>6,275</b>	<b>1,120</b>	<b>57</b>	<b>-</b>	<b>15,118</b>
<b>Net book value as at 31 March 2021</b>	<b>84,603</b>	<b>6,199</b>	<b>7,585</b>	<b>4,413</b>	<b>2,591</b>	<b>302</b>	<b>105,693</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 11 PROPERTY, PLANT AND EQUIPMENT (Continued)

### Depreciation

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

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

The following is a list of the major fixed assets owned by the Council at 31 March 2022.

All assets are owned freehold unless otherwise stated.

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 11 PROPERTY, PLANT AND EQUIPMENT (Continued)

### 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 2022. The External consultants who provided the valuations in 2021-22 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.

### Fair Value Measurement

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

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

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

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

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

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

Level 3 - unobservable inputs for the asset.

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

## 12 INVESTMENT PROPERTIES

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

	GCC and Group	
	2021/22	2020/21
	£000	£000
Rental income from investment property	(1,393)	(606)
Direct operating expenses arising from investment property	403	269
Net gain	(990)	(337)

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

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

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

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

	GCC and Group	
	2021/22	2020/21
	£000	£000
Balance at beginning of the year	48,627	59,874
Additions:		
- Purchases	262	57
- Subsequent expenditure	-	-
Net gains/(losses) from fair value adjustments	4,963	(10,203)
Adjustment		
Transfers:		
- To/From Property, Plant and Equipment / Surplus Assets	(5,396)	-
- From Community Assets	-	-
- To/From assets for sale	-	(1,101)
Disposals	-	-
Balance at end of the year	48,456	48,627

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 13 HERITAGE ASSETS

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

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

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

Details of the Council's heritage assets at 31 March 2022 are as follows:

	GCC and Group	
	2021/22 £'000	2020/21 £'000
Numismatics (including Tokens, Coins, Seals & Dyes)	437	437
2D & 3D Fine & Decorative Arts (including Oil Paintings) & Ceramics	1,848	1,848
Archaeology including Table Set	976	976
Silver	648	648
Domestic life exhibits	314	314
Furniture	273	273
Working life exhibits	187	187
Horological Instruments	309	309
Books	93	93
Blackfriars Priory	21	-
SWRDA Asset Transfer	225	225
Civic Regalia	887	887
Books of Remembrance	50	50
Miscellaneous items	762	757
Transfers	-	3
<b>Total</b>	<b>7,030</b>	<b>7,007</b>

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14 INTANGIBLE ASSETS

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

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

Movements in intangible assets during the year are shown below:

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

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

	2021/22 £000	2020/21 £000
	£000	£000
<b>Balance at the beginning of the year:</b>		
- Gross carrying amounts	4,182	4,716
- Accumulated amortisation	3,587	3,569
- Net carrying amount	595	1,147
<b>Movement in 2021/22</b>		
Additions	105	9
Amortisation for the period	-	561
<b>Net carrying amount at the end of the year</b>	<b>700</b>	<b>595</b>
Comprising:		
- Gross carrying amounts	4,287	4,182
- Accumulated amortisation	4,092	3,587
	<b>195</b>	<b>595</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15 FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

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

	GCC				GROUP			
	Long-term		Current		Long-term		Current	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Investments</b>								
Financial assets at amortised cost	-	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss	10,677	9,487	-	-	10,677	9,487	-	-
Fair Value through other comprehensive income - shares in unlisted companies	-	94	-	-	-	-	-	-
<b>Total Investments</b>	10,677	9,581	-	-	10,677	9,487	-	-
<b>Debtors</b>								
Financial assets at amortised cost	735	2,201	31,170	25,811	735	2,201	31,170	25,811
<b>Total Debtors</b>	735	2,201	31,170	25,811	735	2,201	31,170	25,811
<b>Borrowings</b>								
Financial liabilities at amortised cost:								
Public Works Loan Board (PWLB) and Other Loans	(66,921)	(70,216)	(40,695)	(37,934)	(66,921)	(70,216)	(40,695)	(37,934)
Lease liabilities	(29,602)	(29,376)	(1,535)	(1,535)	(29,602)	(29,376)	(1,535)	(1,535)
<b>Total borrowings</b>	(96,523)	(99,592)	(42,230)	(39,469)	(96,523)	(99,592)	(42,230)	(39,469)
<b>Creditors</b>								
Financial liabilities at amortised cost	-	-	(31,511)	(13,129)	-	-	(31,511)	(13,129)
<b>Total creditors</b>	-	-	(31,511)	(13,129)	-	-	(31,511)	(13,129)

#### Income, Expenses, Gains and Losses-GCC

	2021/22				2020/21			
	Financial Liabilities measured at amortised cost	Financial Assets at amortised cost	Financial Assets: Fair value through P&L	Total	Financial Liabilities measured at amortised cost	Financial Assets at amortised cost	Financial Assets: Fair value through P&L	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	3,697	-	-	3,697	3,930	-	-	3,930
Losses on derecognition	-	-	-	-	-	-	-	-
Increases/(Decreases) in fair value	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	3,697	-	-	3,697	3,930	-	-	3,930
Interest income	-	(407)	-	(407)	-	(625)	-	(625)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-
Increases/(Decreases) in fair value	-	-	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	-	(407)	-	(407)	-	(625)	-	(625)
Gains on revaluation	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	(942)	(942)	-	-	1,260	1,260
<b>Net gain/(loss) for the year</b>	-	-	(942)	(942)	-	-	1,260	1,260

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 15 FINANCIAL INSTRUMENTS (Continued)

### Fair Values of Assets and Liabilities

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

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

	2021/22		2020/21	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial liabilities</b>				
Borrowings:				
Long-term lease liability	(29,602)	(29,602)	(29,376)	(29,376)
Public Works Loan Board (PWLB) and Other Loans	(107,616)	(112,233)	(108,150)	(112,233)

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

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

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

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

## 16 ASSETS HELD FOR SALE (GCC and Group)

	Current		Non-Current	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Balance at the beginning of the year	4,214	2,500	-	-
Additions	-	-	-	-
Disposals	(613)	-	-	-
Gain / Loss on revaluation	899	-	-	-
Assets transferred to / from held for sale	-	613	-	-
-Investment property	-	1,101	-	-
Balance at the end of the year	4,500	4,214	-	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17 INVENTORIES

	2021/22	2020/21
	£000	£000
<b>Consumable stores</b>		
Balance outstanding at start of year	15	15
Purchased	2	-
Consumed	(2)	-
<b>Balance outstanding at year-end</b>	<b>15</b>	<b>15</b>

### 18 CAPITAL COMMITMENTS

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

### 19 DEBTORS

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

	GCC		Group	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Central Government bodies	98	277	98	277
Other Local authorities	4,211	5,931	4,211	5,931
Prepayments	2,454	7,307	2,454	7,307
Other entities and individuals	24,407	12,296	24,407	12,296
<b>Total debtors</b>	<b>31,170</b>	<b>25,811</b>	<b>31,170</b>	<b>25,811</b>

#### 19(i) Long term Debtors

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

They consist of the following :-

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

Gloucestershire Airport loan details:

	Current Interest Rate (%)	GCC and Group	
		2021/22	2020/21
		£'000	£'000
<b>10 Year loan</b>			
Balance at 31 March	1.8	130	258
Less: Amount repayable within 12 months included in short-term debtors		(129)	(128)
		1	130
The loan bears interest at 1.8% and is repayable in 6-monthly instalments of £65,831 including interest.		-	-
<b>Total</b>		<b>1</b>	<b>130</b>

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

### 20 CASH AND CASH EQUIVALENTS

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

	GCC		Group	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Cash held by the Council	4	4	4	4
Bank current accounts	9,189	5,473	9,189	5,473
<b>Total Cash and Cash Equivalents</b>	<b>9,193</b>	<b>5,477</b>	<b>9,193</b>	<b>5,477</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21 SHORT-TERM CREDITORS

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

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

The amounts due to Central Government Bodies relate to Covid grants not yet distributed, tax collected to be paid over from PAYE and amounts relating to business rates owed to Central Government.

#### 21(i) Short term Borrowings

	GCC		Group	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Charity deposits	132	147	132	147
Short-term borrowings with other local authorities	39,836	36,915	39,836	36,915
Accrued interest on short-term and long-term borrowings	633	779	633	779
Finance Lease Liability	1,535	1,535	1,535	1,535
PWLB Loans repayable within one year	94	93	94	93
	<b>42,230</b>	<b>39,469</b>	<b>42,230</b>	<b>39,469</b>

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

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

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

An analysis of loans by lender is as follows:

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22 PROVISIONS (GCC and Group)

#### Provisions more than one year

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

	GCC and Group	
	Injury and Damage Compensation Claims	Total
	£000	£000
Balance at 1 April 2021	136	136
Additional provisions in 2021/22	85	85
Amounts utilised in 2021/22	(46)	(46)
<b>Balance at 31 March 2022</b>	<b>175</b>	<b>175</b>
Consists of:		
Insurance claims provision	175	175
<b>Balance at 31 March 2022</b>	<b>175</b>	<b>175</b>

#### Insurance and Injury Compensation Claims Provision

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

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

#### Provisions less than one Year

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

	GCC and Group		
	NNDR Appeals	Other Provisions	Total
		£000	£000
Balance at 1 April 2021	1,039	435	1,474
Additional provisions made in 2021/22	637	55	692
Amounts used in 2021/22	(477)	(98)	(575)
<b>Balance at 31 March 2022</b>	<b>1,199</b>	<b>392</b>	<b>1,591</b>
Consists of:			
NNDR Appeals	1,199	-	1,199
Restructuring provision	-	337	337
Accumulated Absence provision	-	55	55
<b>Balance at 31 March 2022</b>	<b>1,199</b>	<b>392</b>	<b>1,591</b>

#### NNDR Appeals Provision

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

#### Accumulated Absences Provision

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

#### Restructuring Provision

This provision relates to costs associated with a subsidiary company.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 23 USABLE RESERVES

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

## 24 UNUSABLE RESERVES

	<b>GCC</b>	<b>Group</b>	<b>GCC</b>	<b>Group</b>
	<b>2021/22</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Revaluation Reserve	53,119	62,612	53,158	62,651
Pensions Reserve	(45,689)	(45,689)	(58,366)	(58,366)
Capital Adjustment Account	(4,004)	1,679	(5,969)	(286)
Deferred Capital Receipts Reserve	43	43	43	43
Collection Fund Adjustment Account	(4,987)	(4,987)	(11,491)	(11,491)
Accumulating Absences Account	(55)	(55)	(98)	(98)
Financial Instruments Revaluation Reserve	88	88	(854)	(854)
<b>Total Unusable Reserves</b>	<b>(1,485)</b>	<b>13,691</b>	<b>(23,577)</b>	<b>(8,401)</b>

### (i) Revaluation Reserve

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

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

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

	<b>2021/22</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	53,158	44,760
Upward revaluation of assets	4,844	15,671
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,493)	(5,228)
<b>Surplus on revaluation of assets</b>	<b>55,509</b>	<b>55,203</b>
Difference between fair value depreciation and historical cost depreciation	(1,841)	(1,473)
Accumulated gains on assets sold or scrapped	(549)	(572)
<b>Balance at 31 March</b>	<b>53,119</b>	<b>53,158</b>

### (ii) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	<b>GCC Only</b>	
	<b>2021/22</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	(5,969)	7,704
Reversal of items relating to capital expenditure debited or credited to the CIES		
Charges for depreciation and impairment of non current assets	(4,359)	(4,263)
Revaluation losses on Property, Plant and Equipment and assets held for sale	(5,435)	(5,124)
Amortisation of intangible assets	(505)	(561)
Revenue expenditure funded from capital under statute	(1,715)	(1,281)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(489)	(1,108)
	<b>(18,472)</b>	<b>(4,633)</b>
Adjusting amounts written out of the Revaluation Reserve	2,390	2,045
Net written out amount of the cost of non-current assets consumed in the year	<b>(16,082)</b>	<b>(2,588)</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	654	467
Application of grants to capital financing from the Capital Grants Unapplied Account	5,570	4,985
Direct Revenue Financing		500
Statutory provision for the financing of capital investment charged against the General Fund balances and repayment of CFR	891	870
	<b>(8,967)</b>	<b>4,234</b>
Movements in the market value of Investment Properties debited or credited to the CIES	4,963	(10,203)
<b>Balance at 31 March</b>	<b>(4,004)</b>	<b>(5,969)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24 UNUSABLE RESERVES (Continued)

#### (iii) Pensions Reserve

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

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

#### (iv) Deferred Capital Receipts Reserve

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

	2021/22 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>43</b>	<b>46</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	-	(3)
<b>Balance at 31 March</b>	<b>43</b>	<b>43</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24 UNUSABLE RESERVES (Continued)

#### (v) Collection Fund Adjustment Account

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

	2021/22 £000	2020/21 £000
<b>Balance at 1 April</b>	(11,496)	739
Amount by which Council Tax and Non-Domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic rates income calculated for the year in accordance with statutory requirements	6,509	(12,235)
<b>Balance at 31 March</b>	(4,987)	(11,496)

#### (vi) Accumulated Absences Account

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

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

#### (vii) Financial Instruments Revaluation Reserve

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

	2021/22 £000	2020/21 £000
<b>Balance at 1 April</b>	(854)	408
Movement in the fair value of available for sale assets	942	(1,260)
<b>Balance at 31 March</b>	88	(854)

# **NOTES TO THE CORE FINANCIAL STATEMENTS**

## **25 CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

	<b>Council 2021/22 £000</b>	<b>Council 2020/21 £000</b>
(Deficit)/surplus on Provision of Services	<b>3,459</b>	<b>(11,619)</b>
<b><i>Adjustments in respect of non-cash movements</i></b>		
Depreciation of property, plant and equipment	4,359	4,263
Revaluation losses charged to net cost of services	(5,860)	15,327
Amortisation of intangible assets	505	561
Decrease/(Increase) in short-term debtors	(2,905)	(11,081)
(Decrease)/Increase in creditors	19,346	5,887
Decrease/(Increase) in long-term debtors	1,466	44
(Decrease)/Increase in provisions	156	21
Carrying amount of non-current assets and non-current assets held for sale sold	897	1,108
Adjustment in respect of pension fund deficit	3,210	(7,755)
	<b>21,174</b>	<b>8,375</b>
<b><i>Adjustment for items that are investing and financing activities</i></b>		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(409)	(511)
Capital Grants (credited) / debited to CIES	(6,600)	(3,880)
	<b>(7,009)</b>	<b>(4,391)</b>
<b>Net Cash flows from Operating Activities</b>	<b>17,624</b>	<b>(7,635)</b>
<b><i>The cash flows from operating activities include the following items:</i></b>		
Interest received	443	653
Interest paid	(3,844)	(1,701)

## **26 CASH FLOW STATEMENT – INVESTING ACTIVITIES**

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

## **27 CASH FLOW STATEMENT – FINANCING ACTIVITIES**

	<b>Council 2021/22 £000</b>	<b>Council 2020/21 £000</b>
Purchase of short- and long-term borrowing	45,038	71,115
Repayments of short- and long-term borrowing	(44,803)	(85,000)
Other Receipts from Financing Activities	2,919	-
<b>Net cash flows from financing activities</b>	<b>3,154</b>	<b>(13,885)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### (i) Adjustments between accounting basis and funding basis 2021/22

	Adjustments for Capital Items	Adjustments for Pensions	Other Adjustments	TOTAL
	£000	£000	£000	£000
Communities and Neighbourhoods	(696)	(590)	(43)	(1,329)
Culture and Leisure	(15)	(487)	(66)	(568)
Environment	(278)	(715)	(73)	(1,066)
Housing and Planning	(1,101)	(342)	(73)	(1,516)
Performance and Resources	(904)	(734)	292	(1,346)
Regeneration and Economy	(3,580)	(506)	(1,198)	(5,284)
<b>Net Cost of Services</b>	<b>(6,574)</b>	<b>(3,374)</b>	<b>(1,161)</b>	<b>(11,109)</b>
Other Income and Expenditure	11,967	164	8,910	21,041
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit</b>	<b>5,393</b>	<b>(3,210)</b>	<b>7,749</b>	<b>9,932</b>

### (ii) Adjustments between accounting basis and funding basis 2020/21

	Adjustments for Capital Items	Adjustments for Pensions	Other Adjustments	TOTAL
	£000	£000	£000	£000
Communities and Neighbourhoods	(777)	(80)	(20)	(877)
Culture and Leisure	(23)	(282)	3	(302)
Environment	(286)	(148)	(7)	(441)
Housing and Planning	(600)	(116)	(5)	(721)
Performance and Resources	(539)	(148)	(2)	(689)
Regeneration and Economy	692	(182)	(98)	412
<b>Net Cost of Services</b>	<b>(1,533)</b>	<b>(956)</b>	<b>(129)</b>	<b>(2,618)</b>
Other Income and Expenditure	(16,118)	8,711	(11,259)	(18,666)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit</b>	<b>(17,651)</b>	<b>7,755</b>	<b>(11,388)</b>	<b>(21,284)</b>

## 29 ACQUIRED, DISCONTINUED AND TRANSFERRED OPERATIONS

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 30 TRADING OPERATIONS

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

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

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

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

## 31 MEMBERS' ALLOWANCES

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

	2021/22 £000	2020/21 £000
Allowances	347	349
Expenses	1	0
<b>Total</b>	<b>348</b>	<b>349</b>

Details of the allowances paid to each individual councillor are published on the Council's website - [www.gloucester.gov.uk](http://www.gloucester.gov.uk)

## 32 EXTERNAL AUDIT COSTS

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

Fee payable in relation to FY22 is the scale fee only. The scale fee has not been revised as a result of the backstop and it is expected that the audit fee once agreed with the PSAA will be lower than reported above. As no reduction in the fee has been agreed with the PSAA the scale fee has been disclosed above.

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 33 OFFICERS' REMUNERATION

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

Senior Officer	Managing Director*		Corporate Director (until May 21)		Corporate Director (until July 21)		Director of Finance - Section 151 Officer	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Salary, fees & allowances	124,793	121,607	16,001	96,939	28,404	96,939	83,144	81,915
Bonuses	-	-	-	-	-	-	-	-
Expenses allowance	-	-	-	-	-	-	-	-
Compensation for loss of employment	-	-	-	-	-	-	-	-
Employer's pension contribution	24,210	23,852	3,104	18,806	5,510	18,806	16,130	15,891
Any other emoluments	-	-	-	-	-	-	-	-
<b>Total</b>	<b>£149,003</b>	<b>£145,459</b>	<b>£19,105</b>	<b>£115,745</b>	<b>£33,914</b>	<b>£115,745</b>	<b>£99,274</b>	<b>£97,806</b>

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

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

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

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

## 34 TERMINATION BENEFITS

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

	Number of Compulsory		Number of Other		Total Exit Packages by		Total Cost of Exit	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	Compulsory Redundancies	Number	Number of Other Departures Agreed	Number	Number	Number	£'000	£'000
Less than £20,000	-	-	-	-	-	-	-	-
Between £20,000 and £40,000	-	-	-	-	-	-	-	-
Between £40,000 and £60,000	-	-	-	-	-	-	-	-
Between £60,000 and £80,000	-	-	-	-	-	-	-	-
Between £80,000 and £100,000	-	-	-	-	-	-	-	-
Between £100,000 and £150,000	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 35 GRANT INCOME

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

	2021/22 £'000	2020/21 £'000
<b><i>Credited to Taxation and Non-Specific Grant Income</i></b>		
Revenue Support Grant	(88)	(87)
Capital Grants	(6,600)	(3,880)
New Homes Bonus	(803)	(977)
Business Rates Section 31 Grant	(5,194)	(11,464)
Covid-19 Grants	(1,503)	(4,495)
Other Grants	(342)	(1,145)
	(14,530)	(22,048)
<b><i>Credited to Services</i></b>		
Homelessness and other housing	(1,748)	(1,254)
Mandatory Rent Allowances	(29,733)	(31,464)
Rent Rebates	(278)	(565)
Other	(1,299)	(137)
	(33,058)	(33,420)
<b>Total grants</b>	<b>(47,588)</b>	<b>(55,468)</b>

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

#### Long-term Liabilities

	31/03/2022 £'000	31/03/2021 £'000
<b>Capital Grants Received in Advance</b>		
Bodiam Avenue	-	-
Cotswold View	-	-
Green Farm	81	81
British Energy	150	150
Hammersons	-	-
St Oswalds	2,200	44
Travis Perkins	-	274
Tolsey Gardens	31	31
Miller Homes	121	196
Newland Homes	-	-
Redrow Homes	-	548
Lime Grove Tuffley	-	-
Persimmon Homes Severn Valley	47	-
Crest Nicholson South West	108	106
Gloucester Diocese re St Aldates	-	-
BIES - Public Sector Decarbonisation Scheme 1	538	538
T&H Eastgate Cente & TSB	-	150
Rudloe Drive	50	50
Other contributions	(37)	207
<b>Total</b>	<b>3,289</b>	<b>2,375</b>

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 36 RELATED PARTIES

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

### Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits etc.). Grant receipts held as received in advance at 31 March 2022 are shown in Note 35.

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

	2021/22		2020/21	
	Payments Made or Due £'000	Income Rec'd £'000	Payments Made or Due £'000	Income Rec'd £'000
Central Government				
Revenue Support Grant	-	(88)	-	(87)
Other Government grants	-	(24,757)	-	(56,663)
Council Tax and Housing Benefit grants	-	(30,011)	-	(32,201)
NNDR	27,344	-	27,420	-
Other Local and Police Authorities				
Precepts	64,014	-	61,469	-
Gloucestershire County Council inc Pension Fund contributions	1,210	-	10,891	-
Gloucestershire Airport Limited				
Loan interest and rents	-	(62)	-	(62)
Quedgeley Parish Council	248	-	250	-
<b>Others</b>				
Gloucester Law Centre	29		38	-
Aspire Sports and Cultural Trust	46		20	-
Hucclecote Community Association	2		71	-
Hucclecote Surgery Patient Participation Group				
Gloucester Docks Estate Company	97		55	(38)
Citysafe	833		187	-
Llanthony Secunda Priory	3		-	(2)
Strike a Light	13		-	-
Gloucester Community Building Collective	58	39	8	(2)
Gloucester Wildlife Trust	11		-	-

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

## 38 LEASES

### (i) GCC as Lessor

#### Finance Leases

The Council has two finance leases. The rental for both leases was paid at inception with the exception of an annual rental of £1 per annum. Accordingly there are no minimum lease payments outstanding at 31 March 2022.

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

#### Operating Leases

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

- The provision of community services such as sport 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 £7.251 million (2020/21: £6.342 million). The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

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



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 38 LEASES (Continued)

### (ii) GCC as Lessee

#### Operating Leases

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

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

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

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

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

#### Finance Leases

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

The interest cost recorded as financing expenditure in year was £1.810m.

The lease liability is recorded as long-term borrowing within the Balance Sheet with a value of £31.137m. The lease rentals are subject to an annual RPI increase in July annually capped at 4% and collared at 2%.

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

	Total Lease Payments	Present Value
	£'000	£'000
Not later than one year	1,640	1,584
Later than one year and not later than five years	6,897	5,773
Later than five years	90,550	23,780
<b>Total</b>	<b>99,087</b>	<b>31,137</b>

## 39 REVALUATION LOSSES

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

## 40 CAPITALISATION OF BORROWING COSTS

No borrowing costs were capitalised during the year.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 41 DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

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

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

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

### Transactions Relating to Post-employment Benefits

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

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

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2022 is a net deficit of £16.027 million (2020/21: £9.927 million).

### Assets and Liabilities in Relation to Post-employment Benefits

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

	<b>Funded liabilities: Local Government Pension Scheme</b>	
	2021/22 £000	2020/21 £000
Opening balance at 1 April	178,917	146,505
Current service cost	3,374	2,052
Actuarial Adjustment	-	(44)
Effect of Settlements	-	-
Interest cost	3,555	3,327
Contributions by scheme participants	416	396
Effects of business combinations and disposals	-	-
<i>Remeasurement gains and losses:</i>		
-Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
-Actuarial (gains)/losses arising from changes in financial assumptions	20,530	32,474
-Other	(198)	-
Losses/(gains) on curtailments	-	-
Benefits paid	(5,690)	(5,793)
<b>Closing balance at 31 March</b>	<b>200,904</b>	<b>178,917</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 41 DEFINED BENEFIT PENSION SCHEMES (Continued)

#### Reconciliation of fair value of the scheme (plan) assets

Local Government Pension Scheme

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

#### Scheme History

	31-Mar-22 £'000	31-Mar-21 £'000
<i>Present value of liabilities:</i>		
Local Government Pension Scheme	(200,904)	(178,917)
<i>Fair value of assets:</i>		
Local Government Pension Scheme	155,215	120,551
<b>Deficit in the scheme</b>	<b>(45,689)</b>	<b>(58,366)</b>

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

The total net liability of £45.689m million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, however, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. Over the remaining working life of employees i.e. before payments fall due, as assessed by the scheme actuary, finance is only required to be raised to cover discretionary benefits when the pensions are actually paid. The total contributions made to the Local Government Pension Scheme by the Council for the year ended 31 March 2022 was £1.378 million (2020/21: £10.995 million), as a result of prepayment of three years of secondary contributions.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees i.e. before payments fall due, as assessed by the scheme actuary.

#### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The principal assumptions used by the actuary have been:

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 41 DEFINED BENEFIT PENSION SCHEMES (Continued)

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

	Impact on the Defined Benefit Obligation	
	Approximate % Increase in Liability	Approximate Monetary Amount £000
0.1% Decrease in real discount rate	2%	3,167
1 year increase in member life expectancy	4%	8,036
0.1% Increase in the salary increase rate	0%	269
0.1% Increase in the pension increase rate	1%	2,875

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

Asset Category	2021/22				2020/21			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
<b>Debt Securities</b>								
Corporate Bonds (investment grade)	-	-	-	0%	13,599	-	13,599	11%
Corporate Bonds (non-investment grade)	-	-	-	0%	300	-	300	0%
UK Government	-	-	-	0%	1,543	-	1,543	1%
Other	-	-	-	0%	462	-	462	0%
<b>Private Equity</b>								
All	-	1,693	1,693	1%	-	616	616	1%
<b>Real Estate</b>								
UK Property	6,463	4,501	10,964	7%	5,836	1,795	7,632	6%
Overseas Property	-	1,080	1,080	1%	-	564	564	0%
<b>Investment Funds and Unit Trusts</b>								
Equities	-	105,552	105,552	68%	-	79,989	79,989	67%
Bonds	9,913	18,691	28,604	19%	8,775	299	9,075	8%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	1,563	1,563	1%	-	613	613	1%
Other	-	3,691	3,691	2%	-	2,772	2,772	2%
<b>Derivatives</b>								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	30	-	30	0%
Other	-	-	-	0%	9	-	9	0%
<b>Cash and Cash Equivalents</b>								
All	2,068	-	2,068	1%	3,349	-	3,349	3%
<b>Totals</b>	<b>18,444</b>	<b>136,771</b>	<b>155,215</b>	<b>100%</b>	<b>33,903</b>	<b>86,648</b>	<b>120,551</b>	<b>100%</b>

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **41 DEFINED BENEFIT PENSION SCHEMES (Continued)**

#### **Impact on the Council's Cash Flows**

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The County Council has agreed a strategy with the schemes actuary to achieve a funding level of 100% over the next 17 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 1 April 2025.

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

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

### **42 CONTINGENT LIABILITIES**

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 43 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

**Credit risk** – the possibility that other parties might fail to pay amounts due to the Council.

**Liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.

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

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

### Credit Risk

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

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

The Council's maximum exposure to credit risk in relation to its short-term investments and deposits with banks and other financial institutions of £9.19million (2020/21: £5.47million) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments and, along with short-term investments with other public sector bodies, are considered to have a low credit risk.

Full details of long-term investments are disclosed in note 44. Long-term debtors, as detailed in note 19(i), include the loans to Gloucestershire Airport Limited totalling £0.0 million (2020/21: £0.130 million) and are considered to have a low credit risk.

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

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

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

### Liquidity Risk

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

Long term loans - period until repayment	Actual 31/03/2022
	%
Less than one year	4%
One - two years	0%
Two - five years	0%
Five - 10 years	7%
Over 10 years	89%
	<b>100%</b>

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

### Market Risk

#### Interest Rate Risk

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

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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Council has a number of strategies for managing interest rate risk.

During periods of falling interest rates and, where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

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

According to this assessment strategy, at 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	Average amount Outstanding	Actual Interest rate	Actual Interest Paid / (Receivable)	Projected Interest Rate	Projected Interest Paid / Receivable	Variation
	£000s	%	£000s	%	£000s	£000s
<b>Borrowings</b>						
Long-term-fixed rate	70,121	3.95%	2,770	4.95%	3,471	701
Short-term-variable	42,230	0.78%	329	1.78%	752	423
	112,351		3,099		4,223	1,124
<b>Investments</b>						
Short-term-variable	-	0.00%	-	1.00%	-	-
<b>Net loss/(gain) on deficit/(surplus) for the year</b>						<b>1,124</b>

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

### Price Risk

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

### Foreign exchange Risk

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

## 44 LONG-TERM INVESTMENTS

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

They consist of the following:

	GCC		Group	
	31-Mar-22 £'000	31-Mar-21 £'000	31-Mar-22 £'000	31-Mar-21 £'000
Gloucestershire Airport Ltd	-	94	-	-
CCLA	10,523	9,487	10,523	9,487
<b>Total</b>	<b>10,523</b>	<b>9,581</b>	<b>10,523</b>	<b>9,487</b>

The Council has invested £10m to purchase units of CCLA Property & Diversified Income shares. As at 31st March, the bid price per unit was 339.82p (£5.433m) and 1.549p (£5.090m), hence the fair value amount as reflected in Balance Sheet and recognised through the Income and Expenditure statement. The Council invested £0.435m as joint shareholder to Gloucestershire Airport, the fair value of this investment is £0.0m.

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **45 NOTES TO THE GROUP ACCOUNTS**

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

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

Gloucestershire Airport Limited has been categorised as a joint venture company as the decisions regarding the operating and financial policies of the company require the consent of all parties. For the purposes of the group accounts Gloucestershire Airport has been treated as a jointly controlled entity (joint venture) and has been consolidated in accordance with IFRS 11.

#### **Gloucestershire Airport Limited (GAL)**

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

The registered name of the airport company is Gloucestershire Airport Ltd (Registered Number 2774189). The draft accounts of the company for the year ended 31 March 2022 reflected the following:

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

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



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 45 NOTES TO THE GROUP ACCOUNTS (continued)

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

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

In the autumn of 2009, the Council agreed to facilitate borrowing to finance the runway safety project at Gloucestershire Airport, to provide a safer runway with a computerised instrument landing system (ILS) which was completed in the 2012/13 financial year. The Council loaned £1.550million (2020/21:£1.550m) to the Airport to help fund this project. In 2013/14 the loan was converted from an indefinite period loan to two interest-bearing loans, one for £350k repayable over 5 years and one for £1.2m repayable over 10 years. (Refer to note 19(i) for details).

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

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

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

The accounts of GAL for the year ending 31 March 2022 can be obtained from the Airport Company Secretary at the company's registered office

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

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **45 NOTES TO THE GROUP ACCOUNTS (continued)**

#### **ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND GCC ACCOUNTS**

##### **Adjusting for Intra-group Transactions and Balances**

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

##### **Usable and Unusable Reserves**

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

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# **SUPPLEMENTARY FINANCIAL STATEMENTS**

## COLLECTION FUND

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

# COLLECTION FUND

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

## 1 COUNCIL TAX

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

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

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

Band	Estimated No. of taxable properties after effect of discounts	Ratio	Band D equivalent dwellings
A	53	5/9	29
A	14,463	6/9	9,642
B	14,692	7/9	11,428
C	12,657	8/9	11,251
D	5,490	9/9	5,490
E	3,530	11/9	4,314
F	846	13/9	1,222
G	141	15/9	235
H	3	18/9	5
<b>Total</b>	<b>51,875</b>		<b>43,616</b>
Less: Council Tax Support Scheme			(4,548)
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties (1.25% of total band D equivalent dwellings)			(545)
<b>Council Tax Base for 2021/22</b>			<b>38,523</b>
<b>Council Tax Base for 2020/21</b>			<b>37,999</b>

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

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

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

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

## **COLLECTION FUND**

### **2 INCOME FROM BUSINESS RATEPAYERS**

For the year ended 31 March 2022

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

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

During 2020/21 the Government introduced additional reliefs to properties within the retail, hospitality, and leisure sectors, as part of its assistance package to businesses during the pandemic. As a result, the billable business rates within the Collection Fund were significantly reduced by as much as half of its normal level. As expenditure was set (per regulations) before the outbreak of the pandemic, this created a substantial deficit in the Collection Fund Accounts. This deficit was repaid by the preceptors to the Collection Fund in 2021/22 as all preceptors (including the Council as a billing authority) were compensated by the Government through a Section 31 grant.

The Business Rates Retention scheme splits rate income between central government and local authorities according to a set percentage split in each area. During 2021/22 the income received by Gloucester City Council was distributed as follows: 40% of income goes to Gloucester City Council, 10% to Gloucestershire County Council and 50% to Central Government. The Collection Fund Statement shows the sums received by each organisation for Business Rates in 2021/22.

As part of the scheme Central Government established a baseline funding level for every authority. A system of tariffs, paid by authorities who have gained, and top ups, paid to those who have lost out, ensures that each authority receives their baseline funding. The tariff paid by Gloucester City Council from its general fund in 2021/22 was £16.3 million.

### **3 COLLECTION FUND BALANCE**

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

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

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

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

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

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

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

As noted in Note 2 above the Covid-19 pandemic led to the Central Government granting a series of emergency reliefs to business rate payers. This impacted on the levels of income collected by the Council in 2020/21 and in return the Government provided early Section 31 grants to ensure cash liquidity for the Council (as a billing authority). These unusual circumstances led to the collection fund relating to NNDR recording an in year deficit. This has partly been recovered during 2021/22 with a surplus of £15.855 million being recorded (2020/21 - £29.982m deficit). The remaining closing deficit is apportioned between the relevant bodies as follows.

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

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

### **4 NON-DOMESTIC RATES APPEALS**

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

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

The new arrangements give rise to the need to make a provision for the future cost of these appeals. The estimate made for the likely future value of appeals as at 31 March 2022 was £2.996 million. This has been split amongst the two recipients of Business Rates Income according to their respective share.

	2021/22 £'000	2020/21 £'000
Central Government	1,498	1,299
Gloucester City Council	1,198	1,039
Gloucestershire County Council	300	260
<b>Total</b>	<b>2,996</b>	<b>2,598</b>

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# **GLOSSARY OF FINANCIAL TERMS**

# **GLOSSARY OF FINANCIAL TERMS**

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

## **Accounting Period**

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

## **Account**

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

## **Accruals**

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

## **Amortised Cost**

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

## **Balances**

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

## **Budget**

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

## **Capital Expenditure**

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

## **Capital Financing**

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

## **Capital Financing Costs**

Principal and interest repayments relating to loans.

## **Capital Grants**

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

## **Capital Receipts**

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

## **Collection Fund**

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



# **GLOSSARY OF FINANCIAL TERMS**

## **Community assets**

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

## **Contingent Liability**

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

## **Contingent Asset**

As with contingent liability, only an asset.

## **Creditors**

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

## **Current Assets**

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

## **Current Liabilities**

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

## **Revenue expenditure funded from capital under statute**

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

## **Depreciation**

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

## **Debtors**

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

## **Employee Costs**

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

## **Fair Value**

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

## **Final Accounts**

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

## **Finance Lease**

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

## **Financial Year**

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

## **Fixed assets**

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

# **GLOSSARY OF FINANCIAL TERMS**

## **General Fund**

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

## **Government Grants**

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

## **Gross Book Value**

The historical cost or current value of a fixed asset.

## **Gross Expenditure**

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

## **Impairment**

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

## **Improvement Grants**

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

## **Infrastructure Assets**

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

## **Interest**

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

## **Investment Properties**

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

## **Minimum Revenue Provision**

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

## **National Non Domestic Rates (NNDR)**

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

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

## **Net Book Value**

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

## **Net Expenditure**

Gross expenditure less any related income.

## **Non-Distributed Costs**

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

## **Operating Lease**

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

## **Precept**

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

## **Provision**

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

# **GLOSSARY OF FINANCIAL TERMS**

## **Reserve**

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

## **Revenue Account**

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

## **Revenue Support Grant**

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

## **Revised Budget**

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

## **Stock**

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

## **Value For Money**

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

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# AUDIT REPORT

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOUCESTER CITY DISTRICT COUNCIL**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Disclaimer of opinion**

We do not express an opinion on the accompanying financial statements of Gloucester City District Council ("the Authority") and its subsidiaries ("the group") for the year ended 31 March 2022. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements which comprise:

- the group and Authority Movement in Reserves Statement;
- the Expenditure and Funding Analysis note;
- the group and Authority Comprehensive Income and Expenditure Statement;
- the group and Authority Balance Sheet;
- the Authority Cash Flow Statement;
- the related notes 1 to 45; and
- the Collection Fund including related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting ("the Code").

#### **Basis for disclaimer of opinion**

The Accounts and Audit (Amendment) Regulations 2024 ("the Regulations") require the Authority to publish its statement of accounts, together with an accompanying auditor's report for the year ended 31 March 2022 by 13 December 2024.

The Authority was required by the Audit and Accounts Regulations (2015) to publish its draft statement of accounts for the year ended 31 March 2022 for public inspection by the first working day of August 2022. The Authority published its draft statement of accounts on 28 February 2024. Following the introduction of the Regulations, there was insufficient time to complete the necessary audit work to form an audit opinion.

As a result, we were unable to determine whether any adjustments might have been identified in respect of recorded or unrecorded items within the financial statements.

#### **Chief Financial Officer's responsibilities**

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the Code and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the group and the Authority will continue in operational existence for the foreseeable future.

**Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law, and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud**

We are required to design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud has been limited by the pervasive extent of the matters described in the basis for disclaimer of opinion section of our report.

We plan to consider the nature of the Authority and its control environment, and review the Authority's documentation of their policies and procedures relating to fraud and compliance with laws and regulations.

We enquired of management, internal audit and in-house legal counsel about their own identification and assessment of the risks of non-compliance with laws and regulations.

We plan to obtain an understanding of the legal and regulatory framework that the Authority operates in.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In addressing the risk of fraud through management override of controls, we are required to: test the appropriateness of journal entries and other adjustments; assess whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluate the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our planned procedures include the following:

- reviewing financial statement disclosures;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- where available, reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Owing to the pervasive limitations set out above, we were unable to complete all these procedures.

## **REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

### **Matters on which we are required to report by exception**

#### **Use of resources**

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, we are required to report to you if we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

On 9 December 2024, we reported to the Authority a significant weakness in the Authority's governance arrangements. The significant weakness reported was:

- On the 20 December 2021 Gloucester City District Council was a victim of a cyber-attack which had a significant impact on the financial systems of the Authority resulting in the financial systems being unavailable from 20 December 2021 to 28 February 2023. As a result of this incident, the authority was required to maintain manual record up till 28 February 2023, followed by a hybrid (manual and system) process from 1 March 2023 up till 18 April 2024, and it has taken the Authority a significant period for the financial systems to be made up to date and reconciled. The incident was communicated to the Information Commissioner's Office and an investigation was completed where they identified 'It was found by the ICO that a lack of appropriate processes for logging and monitoring of systems was not adequately utilized that would have assisted in the detection of the attack and may have prevented the ransomware spreading across the Authority's systems.' As a result of the incident, the authority was unable to demonstrate the ability to appropriately monitor the deployment of its resources in pursuit of its objectives. Additionally, this has impacted the Authority's ability to prepare the financial statements in line with statutory deadlines.

Our recommendations for improvement include:

- It is recommended that the Authority continues to monitor the risk relating to Cyber incidents and ensure that appropriate mitigating actions are taken.

### **Respective responsibilities relating to the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under the Code of Audit Practice and Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, as to whether the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022. Other findings from our work, including our commentary on the Authority's arrangements, will be reported in our separate Auditor's Annual Report.

**Other matter on which we are required to report by exception**

The Code of Audit Practice also requires us to report to you if:

- in our opinion the annual governance statement is misleading or is inconsistent with information of which we are aware from our audit;

Notwithstanding our disclaimer of an opinion on the financial statements, and subject to the pervasive limitation described above, we have nothing to report in respect of this matter.

**Reports in the public interest or to the regulator**

The Code of Audit Practice also requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

**CERTIFICATE OF COMPLETION OF THE AUDIT**

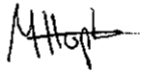
We certify that we have completed the audit of Gloucester City District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

**Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not



accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'MHopton', with a horizontal line extending to the right.

**Michelle Hopton (Key Audit Partner)**

For and on behalf of Deloitte LLP

Bristol, United Kingdom

**13 December 2024**