Statement of Accounts

2017-18






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Gloucestershire
COUNTY COUNCIL

Contents

Foreword to Narrative Report

Gloucestershire County Council continues to face considerable challenges at the same time as enormous opportunities. The challenges take the form of rising demand for the services we provide to the most vulnerable children, adults and families at the same time as we face continued reductions to our funding. The opportunities are about our relationships and the ways we can work together with local people and communities, with our partners and with Central Government to improve outcomes for local people and communities.

Under our strategy - Meeting the Challenge: Together We Can - we have continued to deliver significant savings from the Council's budget, ensuring we remain financially resilient and freeing up resources to respond to changing patterns of need and demand. As central government funding has reduced, the Council has been willing to use Council Tax and the Adult Social Care Levy as part of the toolkit in achieving a sustainable budget, which at the same time protects the most vulnerable in our society.

Alongside this, we are working ever more closely with our partners across the public sector and beyond to shape the future of health and social care, grow the local economy, develop the skills we need and to make public services as effective and efficient as possible.

We have updated our Council Strategy for 2018/19 to reflect the progress we have made and set out our response to the new challenges and opportunities that are presenting themselves.


Cllr Mark Hawthorne
Leader


Peter Bungard
Chief Executive

Director of Strategic Finance's Narrative Report

Introduction

Welcome to Gloucestershire County Council's Statement of Accounts for 2017/18. The Statement of Accounts reports the income and expenditure on service provision for the financial year and the value of the Council's assets and liabilities at the end of the financial year. This is done in accordance with proper accounting practices, as defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and in accordance with the Accounts and Audit Regulations 2015.

2017/18 is the first year where the statutory approval date of 31st July is in place, with a requirement for me to provide certification by 31st May, that the draft Statement Accounts give a true and fair view of our financial position as at 31st March 2018.

Our 2017/18 audited Statement of Accounts need to be submitted to the Council's Audit & Governance Committee (our appropriate body) for approval by 31st July 2018 following a thirty day public inspection which must include the first ten working days in June.

In line with last year, our 2017/18 Statement of Accounts have been prepared earlier, to adhere to the statutory deadline, with the Statement of Accounts being available to our auditors, Grant Thornton, on 31st May 2018. Achieving this earlier deadline, whilst continuing to produce a quality set of accounts, has only been possible due to the hard work and dedication of staff in Strategic Finance and across the whole Council.

As in previous years, the financial statements demonstrate the financial standing of the Council continues to be robust. We have employed good financial management disciplines, processes and procedures during the year and we continue to strive for on-going improvement and excellence.

This Narrative Report provides information about Gloucestershire, including the key issues affecting the Council and its accounts. It provides a summary of the financial position at 31st March 2018 followed by an explanation of the financial statements, including information on significant transactions during 2017/18.

To comply with the Code, the information contained in the accounts is, by necessity, technical and very complex, hence the length of the accounts. The aim of this narrative report is to provide you with a wider overview of the financial position for the year ending 31st March 2018 and enable you to understand the key issues. It does this by providing an analysis of the budgeted and actual net expenditure for 2017/18 based on the management accounts, and then provides a summary of the key financial statements included within the statutory final accounts.

Our Context

For most people in Gloucestershire outcomes are good and, if you look at the county as a whole, we have high levels of educational attainment and employment, good health and a high quality of life.

Nevertheless, we know that this is not everyone's experience, and that for those in greatest need, outcomes are much poorer. A significant number of people rely on the County Council and our partners to help to meet their needs and to live fulfilling lives.

The number of vulnerable people is growing, creating more demand on Council services. This is because:

- The population is growing and people are living longer – The number of people in Gloucestershire aged over 85 whose day to day activities are limited by long term illness and disability is predicted to rise by over a quarter by 2021.
- Medical advances – Children who are born with a disability are more likely to survive into adulthood and people can live much longer with a serious disability.
- Changes to community and family life – Families are more likely to live further away from each other than in previous generations. That makes it more difficult to care, for example, for an elderly parent who is beginning to struggle.
- Changing public expectations – The growth of the internet and social media mean that public services are much more visible to local people. The publicity surrounding a single incident somewhere in the country can increase demand for our services overnight. This is particularly true of those services that are concerned with keeping vulnerable children or adults safe.
- Despite its overall affluence, we have areas of Gloucestershire amongst the most deprived 10% in the country.

While much of this change is positive, it means that the circumstances in which our services were designed have changed radically. If we carry on trying to respond in the same ways, those services will become overwhelmed, cost more than we can afford, and give increasingly poor results for the people that rely on them.

Instead, we need a response that is suited to today's opportunities and challenges – one that fits with the way people live their lives, builds on the strengths of our communities and focuses the Council's resources where they can be most effective.

Services for children and families and vulnerable adults together make up well over half of the Council's 2017/18 spend. For this reason, we cannot afford to exclude them from the need to make savings in the future. We do believe that, by focusing relentlessly on outcomes, we can improve the way we support the most vulnerable people as well as reducing spending in these areas.

As a result of positive changes, we have seen a steady reduction in the number of adults receiving long-term care from the Council. However, the cost of providing care to meet the needs of these individuals is increasing. This places additional pressure on all our services.

In line with national trends, we are seeing higher demand for services for vulnerable children. The past year has seen an increase in the number of referrals to safeguarding services, an increase in the number of children who need our support and ultimately an increase in the number of children coming into our care.

Council Strategy

The Council's vision, values, aims and medium term priorities identified above are brought together in a single Council Strategy. The Council Strategy sets out the longer term aims and ambitions for Gloucestershire and outlines the priorities and programmes which underpin these aims.

Overall

Our approach universally focuses on making a difference for local people. We recognise that this approach has implications for Council partners, local communities and service users. In particular, we are working jointly with the Gloucestershire Clinical Commissioning Group (GCCG) to ensure that our strategies align and a number of the objectives within this strategy are shared objectives that are also reflected in GCCG's Sustainability and Transformation Plan.

Our overall approach has the following main areas:

Active Individuals

Everyone can take steps to reduce the chances that they will need to rely on Council support in future. By making healthy lifestyle choices, keeping active and planning for the future, people are less likely to end up needing our care and help.

Since launching this strategy, we have:

- Provided a range of services available over the Council's website and via social media whilst preserving other channels for those who cannot access services via the internet.
- Reviewed the information, advice and guidance services that the Council commissions to make sure that they represent the best value for money and help to signpost people to appropriate sources of help.
- Reviewed Council buildings to provide more joined up access to advice, information and services and create opportunities to rationalise properties.
- Helped people with disabilities into paid employment and suitable accommodation.
- Worked with public and community transport providers to provide essential services for vulnerable and isolated people.
- Reviewed public health contracts to focus on improving health of the local population and reduced dependence on social care in the long term.
- Improved signposting of services for vulnerable people and their carers.

Active Communities

With the help of family, friends and neighbours, most people manage without the council's support. Thousands of people across the county provide formal or informal care and without that support, the council would be completely unable to meet the demand for its services. Nevertheless, with an ageing population, the number of people who need help from the council is growing.

Since launching this strategy, we have:

- Encouraged and helped GPs and other professional to signpost to sources of help within communities.
- Worked jointly with Health, police and partners to offer flexible, comprehensive, community-based support that targets prevention on those children and families who need it most.
- Continued to focus the Fire and Rescue Service on prevention, helping reduce fires and accidents and making more use of retained and community fire-fighters to build community resilience.
- Expanded existing children's centres childcare facilities to increase nursery education entitlement to 30 hours a week for 3 and 4 year olds of working parents.
- Launched our targeted family support service operating from Children's Centres, providing preventative help focused on those areas where children and families most need our help.
- Reshaped support to vulnerable adults utilising community based support wherever possible.

Getting People Back to Independence

When people need our help, following an accident, emergency hospital admission or other crisis in their lives, our focus will be on giving them support to help them back to independence.

Since launching this strategy, we have:

- Extended the provision of Telecare technology to promote independence and personal safety.
- Rolled out new Domiciliary Care contracts
- Reshaped reablement services to help people back to independence
- Reshaped our early help offer for children and families.
- Worked with partners in the criminal justice sector to join up public protection and safeguarding practices.
- Reviewed mental health contracts to ensure the right balance between community-based support, short term support and longer term care.

Being There When We're Needed Most

We want to be there for those who need us the most, even if that means making difficult decisions about what we can't afford to do.

Since launching this strategy, we have:

- Invested significant resources into children's social care in order to achieved better outcomes for children.
- Developed an Intensive Support and Intervention Service to support and improve outcomes for children coming into care with the most complex needs.
- Invested in additional social workers to help those with significant mental health issues.
- Made more use of community-based care and relied less on residential and nursing care to bring us broadly in line with similar areas.
- Simplified the administration of direct payments across personal social care and health budgets.

Providing the Infrastructure for a Thriving Economy

Jobs, business and growth are crucial to the wellbeing of Gloucestershire people. As a Council we will continue to work hard to support Gloucestershire businesses and employers.

Since launching this strategy, we have:

- Continued to work with partners, including GFirst (LEP) to accelerate economic growth and improve productivity through the Strategic Economic Plan.
- Continue to roll out the next generation broadband across the County.
- Delivered transport improvement across Gloucestershire, including A40 Elmbridge Court project on time and on budget.
- Continued to work with District Councils to reduce and reuse waste, improve recycling rates and stop waste going to landfill.
- Invested in improving the highways.

Getting our Own House in Order

We want Gloucestershire County Council to continue to be a well run Council that is transparent, accountable and focussed on what matters to local people at the same time as keeping our running costs to a minimum.

Since launching this strategy, we have:

- Delivered £62.5m in savings
- Continued to modernise the workforce to respond to changing needs and challenges
- Continued to make improvements through flexible working across the Council's workforce and provide opportunities to reduce the amount of office space needed.
- Continued to generate revenue savings through the sale of Council property that is no longer needed.

Ofsted Inspection of Services for Children

Ofsted undertook an Inspection of services for children in need of help and protection, children looked after and care leavers and reviewed the effectiveness of the Local Safeguarding Children Board between the 27th February and 23rd of March 2017. The overall outcome of the inspection was that children's services in Gloucestershire were inadequate.

Following the Inspection there was an immediate review of the senior leadership team within Children's Services and interim Directors were appointed to address the failings within the safeguarding services. During 2017/18 a permanent appointment was made to the post of Director of Children's Services with the post-holder starting in early March 2018. During the year we have been working closely with the Department of Education, Ofsted and our Improvement Partner Essex County Council to develop and implement our Improvement Plan. Monitoring visits from these agencies have identified positive progress being made in safeguarding services although the pace of change has been challenged. These monitoring visits will continue to take place during 2018/19 to ensure the improvement journey continues.

To support the implementation of the Improvement Plan, resources of £2.68 million were identified in year to employ additional frontline social workers to reduce caseloads and increase management capacity to drive change. Investment was also made into Support Services through providing new ICT equipment to improve the flexibility of how social workers work and also into information analysis to inform teams, managers and Directors of performance. A further £1.12 million has been made available in 2018/19 to continue the necessary improvements.

The Council has recognised the need to invest in a service to support sustained improvement and where demand for services are currently rising, with £9.3 million and £15.2 million respectively being invested permanently in 2017/18 and 2018/19. This investment will support the reshaping of the social care workforce and cover the cost pressures within placement budgets which the service is experiencing.

Funding for Adult Social Care

There continues to be widespread recognition that there is significant pressure on Adult Social Care budgets. In recognition of this pressure the Government introduced a succession of funding mechanisms. These funding mechanisms are a series of one-off or time limited funding. A long term funding solution has not been announced. The green paper on care and support for older people is expected to be published in the summer 2018 and will be subject to a full public consultation.

Demographic changes indicate a rising demand for support to people with increasing complex needs that requires us to better manage and respond to demand. This is being managed through the Adult Single Programme and will involve a range of partnerships, many of which will be new relationships with communities. The scale and pace of change continues at an unprecedented level and the Adult Single Programme has been developed to support those changes. Communicating our intentions and listening to the voice of those we support will be central to enabling us to effectively do this. At the heart of this work is culture change, based on a three tier conversation (Tier one – Help to help yourself, Tier Two – Help when you need it and Tier three – Ongoing support for those that need it) at the frontline to give structure with a focus on helping people to help themselves.

People

The way in which the Council delivers its services continues to change and has led to the Council becoming a smaller organisation and adopting different ways of working. We continue to evolve our approach to the way our employees deliver and commission services and to the way we work.

Workforce Headcount

Gloucestershire County Council employed 3,599 individuals as at 31 March 2018, this includes 444 Gloucestershire Fire & Rescue service staff, but excludes all schools staff and casual staff. If a member of staff has two contracts with the Council, they are only counted once in the above figure.

Our 'Meeting the Challenge Strategy' 2011-2015 and the current version of MTC2 Together We Can 2015-2018 outlined the financial savings required by the authority, and has resulted in considerable workforce down-sizing and organisational change. We took positive steps to minimise reductions through redundancies, including:

- Reducing senior management.
- Managing vacancies, only filling vacant posts that are essential and via the redeployment pool whenever possible.
- Offering flexible working arrangements which would reduce the overall pay costs.

Consideration of the Equality Duty and Decision Making

Our Due Regard Process ensures that we consider the three aims of the public sector equality duty when we plan and deliver our work and when making decisions.

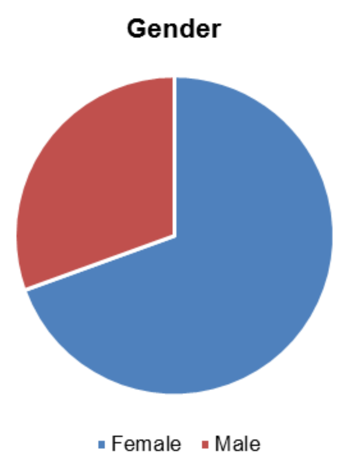
The general duty requires the Council to have due regard to the need to:

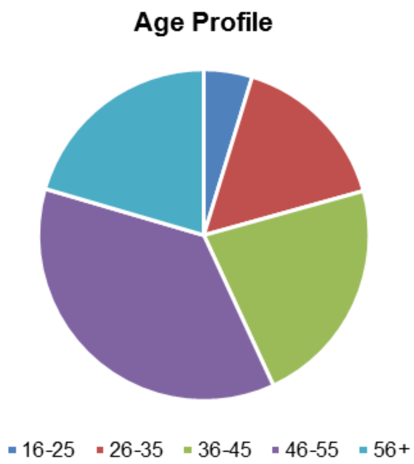
- Eliminate discrimination, harassment and victimisation.
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it.
- Foster good relations between people who share a protected characteristic and people who do not share it.

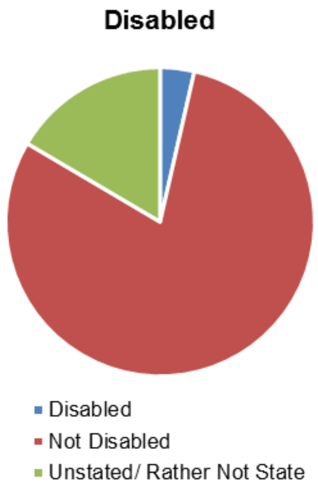
Our process ensures that decision makers consider these aims as part of their day to day working practices.

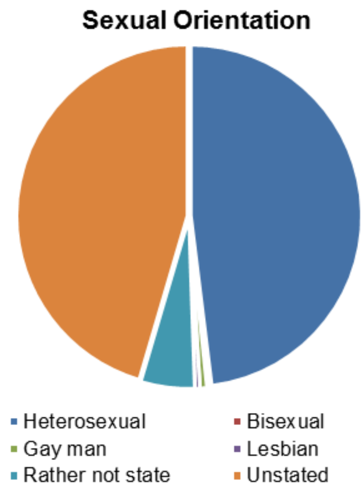
The Council's most recent annual Equalities Report (2017) is based on the 3,706 employees as at 1 June 2017. In addition to those included in our headcount figures regularly published on the transparency pages of our website, this figure also includes employees from the Gloucestershire Fire and Rescue Service on a permanent or fixed term basis and those staff engaged on a casual basis where a mutuality of obligation exists.

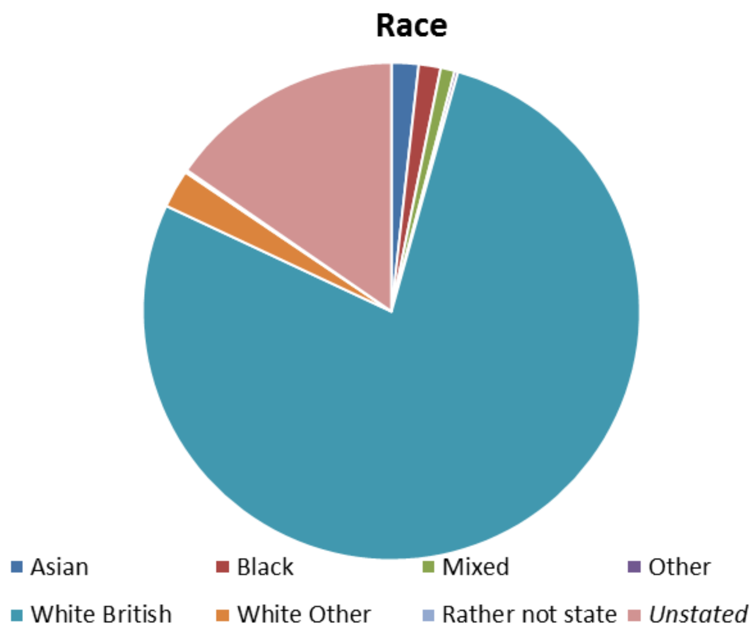
The Council's workforce profile (as at 1 June 2017) is illustrated in the following graphs and is based on the data that is submitted by our workforce. We continue to encourage people to report openly so that our policies are as fully informed by staff feedback as they can be.







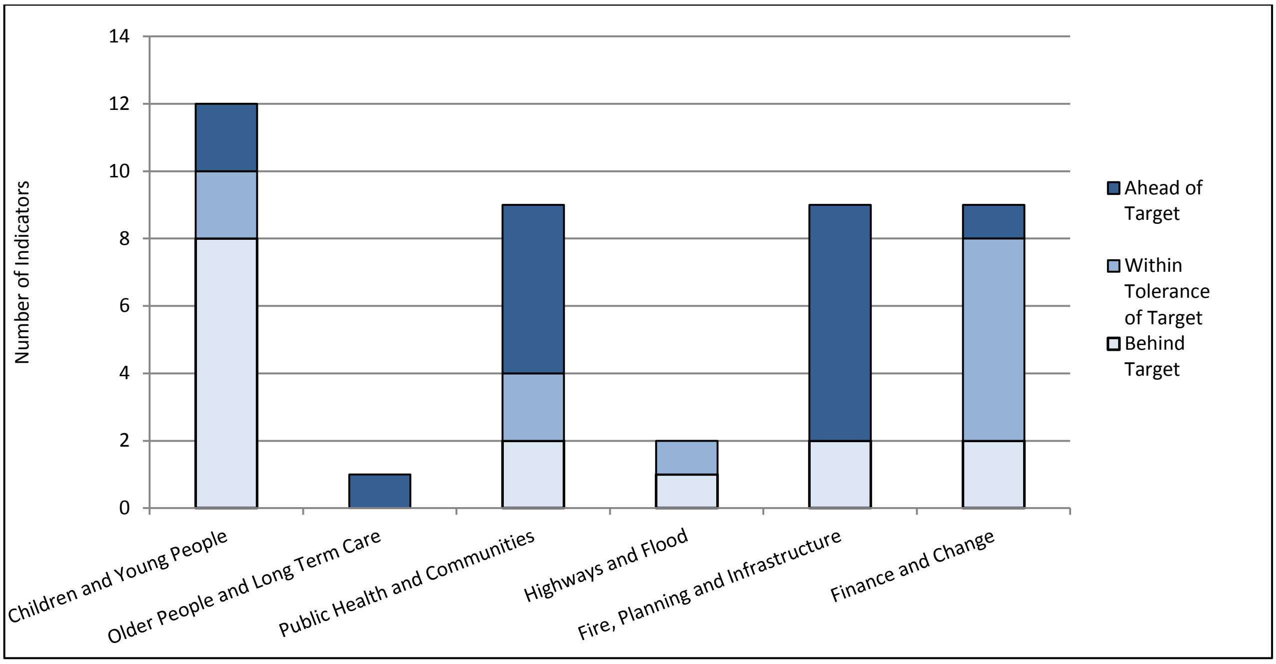




Further information from the Council’s 2016/17 Workforce Equalities Report can be found on the Council’s website at:
https://www.gloucestershire.gov.uk/media/16744/2017-gcc-workforce-equalities-report-v7-final-final.pdf

STRATEGIC PERFORMANCE

The graph below shows progress against our strategic outcomes using the core dataset from our Council Strategy. These reflect our priorities based on what really matters to people living in Gloucestershire.



The Council has maintained its performance over the last 12 months with 65.3%, of indicators on or ahead of target (32 out of 49 measures), against 64.7% at the end of 2016/17.

Children & Young People

Following last year's Ofsted inspection, there continues to be close scrutiny of Children's Services both internally and externally. The timeliness with which we are responding to vulnerable children has improved significantly throughout the year, and while we need to make sure this improvement is sustained, there is much stronger oversight of this area and managers take action to avoid drift and delay.

Levels of demand remain high, in particular, the rates of re-referrals, repeat Child Protection Plans and readmissions to care. The rising number of Children in Care is putting pressure on external placements, and resulting in high levels of instability in short-term and long-term placements. A sufficiency strategy is being developed which will address these concerns. These measures reflect the fact that quality of practice remains extremely variable across all areas of the service. A new operating model has been put in place that will increase the capacity of teams and team managers, and a training package is now in place to make sure that managers are capable of providing the level of quality required.

Beyond Children's social care, educational attainment remains strong for the county as a whole, but we continue to have an extremely high rate of school exclusions.

Adult Social Care

We continue to see a steady reduction in the number of adults receiving long-term care in line with our demand management strategy. For the first time, Gloucestershire has lowered its rate of admissions to residential or nursing care well below the national average.

During the year, we have seen an increase in the rate of Delayed Transfers of Care from hospital, but remain a high performer in this area compared with other local authorities, and have responded well as a system to winter pressures.   We have also significantly reduced the number of people waiting for a package of domiciliary care through a series of changes implemented during the last 12 months. These include the Hospital to Home service, the Emergency Response Service and changes to the way we commission and broker services, such as guaranteeing a minimum level of business where appropriate and implementing the Dynamic Purchasing System in urban areas.

Public Health

Our strategy has been to review the contracts and services we are commissioning in order to ensure that public health interventions are focusing on those in most need/at most. The performance data shows that this strategy is working and that our services are improving outcomes for these service users.

Performance against the new Health Lifestyles service remains strong with evidence of high levels of service users achieving significant improvements in risk factors.

Performance is also strong for the health visiting service, with more detailed data available from Q4 demonstrating that almost all families are receiving a health check at birth and at one-year.   The data confirms that all of the most vulnerable families received both a birth visit and a review at 12 months (75% and 83% respectively within the target timescales).

The take-up of NHS health checks has declined slightly during the year, but remains close to the national average.

There has been a gradual decline in performance since the implementation of the new Drug and Alcohol contract, but this was anticipated following the transition and we would expect to see performance being to improve over the coming year as the new contract beds in.

Communities & Infrastructure

Performance remains generally strong across all areas of Communities and Infrastructure and Fire & Rescue.

The unusually severe winter weather affected a number of indicators during the final quarter the year, leading to increased demand on the call centre and a reduction in the number of 28-day defects repaired on time. Otherwise, highways performance has been good throughout the year.

Targets were exceeded in a number of areas, including waste, CO2 reductions and gulley-emptying.

Gloucestershire Fire & Rescue Service performed particularly strongly in delivering its programme of 'Safe & Well' visits, exceeding year-end targets for both the number of visits undertaken and the percentage of those visits targeting priority groups.

Core Council

The Council continues to be financially resilient and the outturn position is a very small over-spend of £33k. This was supported by strong delivery of MTC2 targets, with 87% of the MTC2 savings target achieved within the year, and with plans in place to achieve the vast majority of the shortfall in 2018/19.

Towards the end of the year, we saw increased levels of sickness absence (short term, long term and stress related) as well as increased levels of turnover in adult social care. This followed local and national trends caused by outbreaks of influenza.

There have been no findings of maladministration and injustice leading to a report by the Local Government Ombudsman throughout the year. Our target for responding to information requests on time has exceeded the statutory target of 85% each quarter.

FINANCIAL PERFORMANCE

Economic climate

Since 2011 Gloucestershire County Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services and greater volatility in financing. In November 2017 the Autumn Statement set out the strategic direction for public expenditure. This, together with the financial settlement for 2018/19, outlined a number of significant changes to the local government funding regime which will have a significant impact on the Council's finances over time.

These include:

- Increased Council Tax referendum principle from 2% to 3% for 2018/19, with the Council setting a rate of 2.49%.
- Continuing to provide Local Authorities with the power to levy an increase on Council Tax to fund social care, to a maximum of 6% over three years. Gloucestershire has continued to charge 2% per year, and this equates to an additional £5.5 million of revenue for 2018/19.
- Announcement of the Government's "aim" to localise 75% of Business Rates from 2020-21 and implementation of the new needs assessment (Fair Funding Review).
- Consultation on "fair and affordable options" to tackle negative Revenue Support Grant (RSG) from 2019/20.
- Continuation of the flexibility for Local Authorities to use capital receipts to fund the revenue costs of business transformation projects.
- The ending of Transitional Grant, which the Council had received for the past two years, resulting in a £2.5 million loss in funding per year.
- In addition to those already announced; ten 100% Business Rates Retention pilots for 2018/19, including Gloucestershire, resulting in one off additional funding for 2018/19.

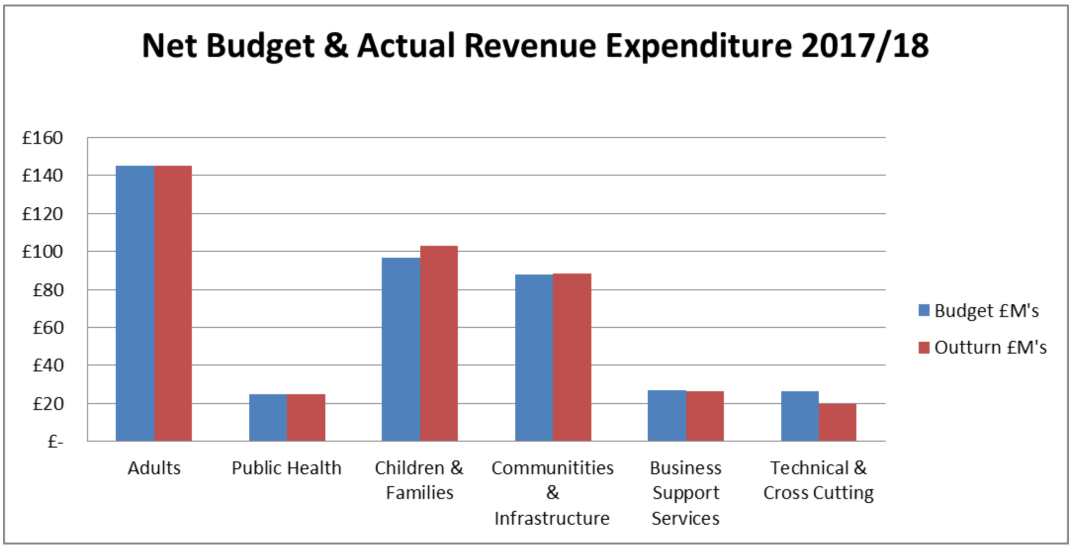
Revenue Budget and Outturn Position

The approved budget for 2017/18 was £407.70 million which represented a reduction in cash terms of £0.76 million, compared with 2016/17. Under this budget Council Tax increased by 1.99% and an additional 2% National Social Care Precept was applied, taking the overall increase to 3.99%.

The 2017/18 budget was the final year of the three year MtC2 – 'Together We Can' programme covering the financial years 2015/16 to 2017/18. Over this period savings have been delivered to address year on year funding reductions and fund unavoidable cost increases.

The revenue budget strategy for 2017/18 was to continue to maximise the delivery of efficiencies as early as possible. The Council is committed to robustly controlling budgets, repaying external maturing debt and is continuing to streamline back office services, all of which contribute to protecting front line services, whilst minimising compulsory redundancies.

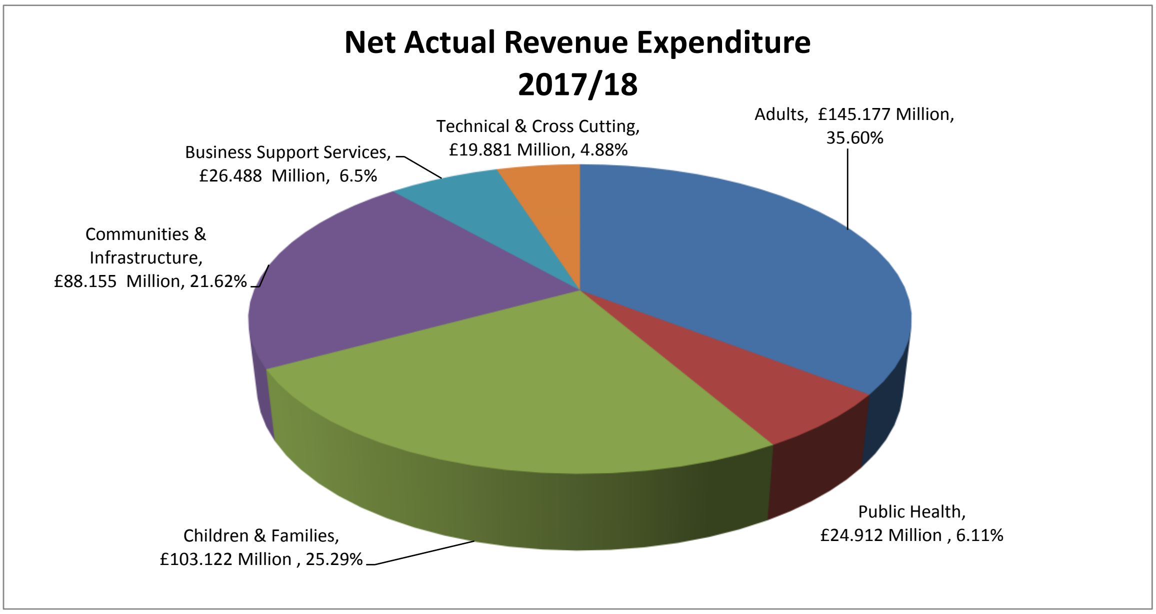
Following approved transfers to and from reserves, as set out in detail in note 2 to the accounts (page 57), the 2017/18 outturn position was an over spend of £0.033 million. Net budget and expenditure by service area is shown in the chart below.

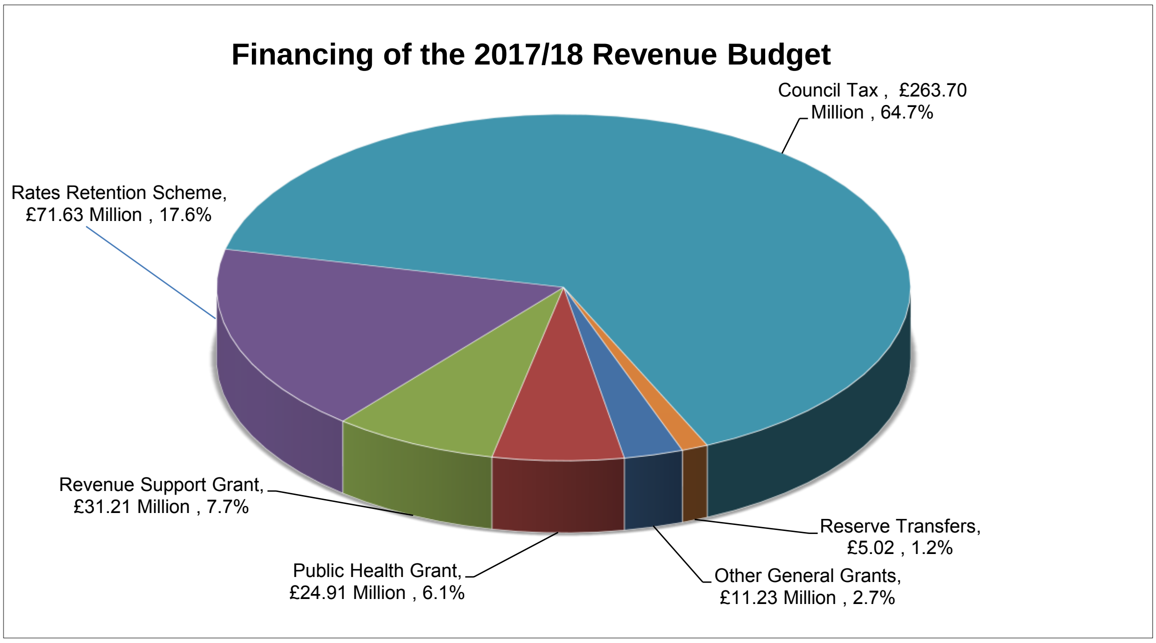


Full details and explanations of the outturn position can be found in the detailed outturn report submitted to Cabinet in June 2018, which is available on the Council's website at:

http://glostext.gloucestershire.gov.uk/documents/s46105/Item%207%20-%20Revenue%20and%20Capital%20Expenditure%202017-18.pdf

The outturn position for 2017/18 again provides a clear indication of the Council's strong financial stewardship during the year. Net actual expenditure by service area is shown in the chart below, which is followed by a chart showing the funding of this net expenditure.





Usable Revenue Reserves

Usable reserves represent money set aside to fund future expenditure plans or reduce taxation. Full details of all usable reserve movements in 2017/18 are shown in note 2 on page 57 of the accounts, with the summary position outlined below:

Type of Revenue Reserves	Restated* Balance at 1st April 2017 £ Millions	Balance at 31st March 2018 £ Millions
Earmarked Revenue Reserves – Non Schools	114.878	119.317
Earmarked Reserves – Schools	24.483	20.520
General Fund Balances	19.848	18.520
TOTAL REVENUE RESERVES	**159.209**	**158.357**

* Reserves restated following the reclassification of Highways Act commuted sum reserve to revenue from capital.

Overall total usable revenue reserves decreased by £0.852 million during the year.

Non-School Earmarked Reserves

Non schools earmarked usable revenue reserves have increased by £4.58 million (4.1%) during the year, from £112.69 million at the start of the year to £117.27 million at the end of the year.

Schools Earmarked Reserves

Total earmarked reserves relating to Schools decreased by £3.96 million during the year.

The main reasons for this decrease were:

- A decrease on School Balances of £2.47 million, largely due to lower revenue balances being held by schools and removal of balances relating to six academy conversions.
- A net decrease of £1.49 million in the other school related reserves due mainly to an increase in costs associated with high needs pupils within Independent Special Schools, top up payments to schools and alternative provision to support these pupils.

General Reserves

General Reserves totalled £18.520 million at the end of 2017/18, a reduction of £1.33 million, as a result of approved revenue budget support of £1.30 million as approved by Council February 2017, and an additional transfer of £0.03 million to fund the reported revenue outturn position. This reserve represents 4.5% of the net revenue budget for 2017/18, which is within the target range of between 4% and 6% of the net budget.

Capital Reserves

In addition, usable capital reserves used to support the approved capital programme are as follows:

Type of Capital Reserves	Restated* Balance at 1st April 2017 £ Millions	Balance at 31st March 2018 £ Millions
Capital Grants & Contributions Unapplied Reserves	43.828	50.871
Useable Capital Receipts Reserve	32.371	32.206
TOTAL CAPITAL RESERVES	**76.199**	**83.077**

* Reserves restated following the reclassification of Highways Act commuted sum reserve to revenue from capital.

Capital reserves have increased by £6.88 million (9.0%) during the year, from £76.19 million at the start of the year to £83.08 million at the end of the year. The increase is mainly due to an increase of unapplied capital grants and contributions received in year which are all fully committed in funding the Council's approved capital programme.

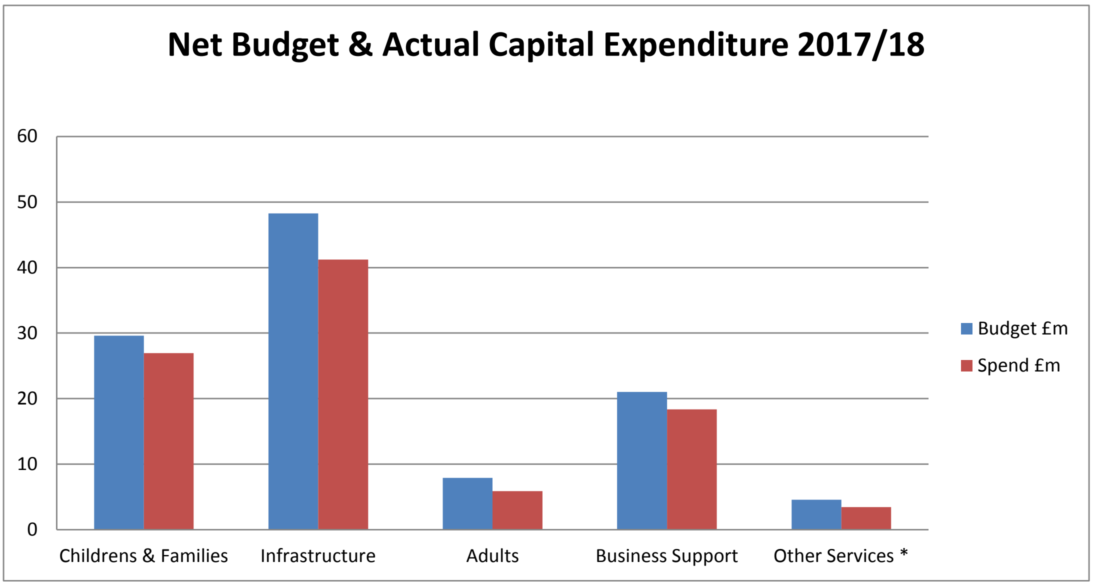
Full details and explanations of all reserve movements can be found in the detailed outturn report submitted to Cabinet in June 2018, which is available on the Council's website at:
http://glostext.gloucestershire.gov.uk/documents/s46105/Item%207%20-%20Revenue%20and%20Capital%20Expenditure%202017-18.pdf

Capital Budget and Outturn Position

The capital budget strategy reflected the Council's priority of reducing long term debt by utilising capital receipts, external contributions, capital fund, capital grants and revenue contributions to fund the capital programme for 2017/18, thereby avoiding the need for new borrowing.

The capital budget for 2017/18 totalled £111.36 million. Actual expenditure during the year was £95.88 million, giving an in-year under-spend of £15.48 million. This is purely in-year slippage, which will mainly be spent in 2018/19 rather than in 2017/18. This has not changed the overall value of the capital programme, although it has necessitated a re-profiling of the approved budget between future years.

Net actual expenditure by service area is shown in the following chart:

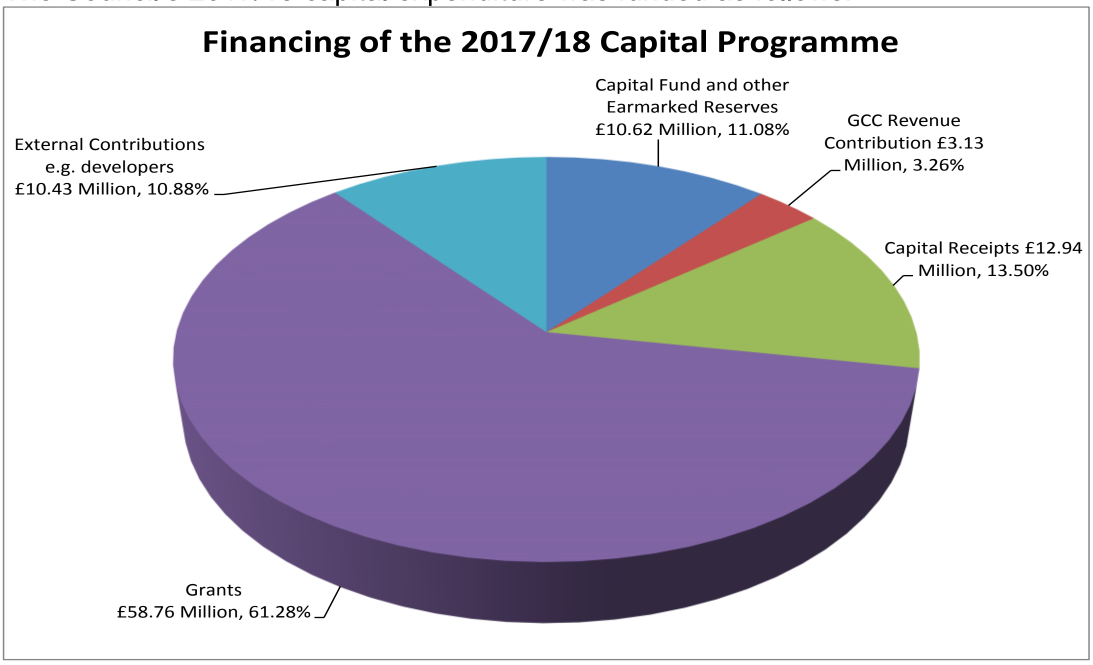


* Other Services includes Archives, Libraries, Safety and Works prior to Sale.

Full details and explanations of the capital outturn position can be found in the detailed outturn report submitted to Cabinet in June 2018, which is available on the Council's website at:

http://glostext.gloucestershire.gov.uk/documents/s46105/Item%207%20-%20Revenue%20and%20Capital%20Expenditure%202017-18.pdf

The Council's 2017/18 capital expenditure was funded as follows:



The Government financial regulations require Local Authorities to charge a Minimum Revenue Provision (MRP) each year as a proxy for capital repayments. For 2017/18 the MRP for the Council was £6.77 million.

Repaying maturing debt remains a priority of the Council, and any new borrowing requirement will be held internally. At 31st March 2018 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £302.1 million, a reduction of £6.7 million compared with the position at the end of 2016/17.

Financial Statements

The objectives of financial statements are to provide information about the Council's financial position, financial performance and cash flows, and to demonstrate accountability for the Council's resources.

The Council produces single entity financial statements, which also include the income, expenditure, assets, liabilities, reserves and cash flows of the schools deemed to be under the control of the Council.

A complete set of Financial Statements for the period comprise:

- Statement of Accounting Policies on pages 23 to 40.
- Comprehensive Income & Expenditure Statement on page 49.
- Movement in Reserves Statement on page 50 to 51.
- Balance Sheet position on page 52 setting out the Council's financial position as at 31st March 2018.
- Cash Flow Statement on page 53 summarising the inflows and outflows of cash.
- Notes to the accounts, which summarise and provide further information on the financial activities of the Council on pages 54 to 108.
- Gloucestershire Pension Fund Accounts are on pages 109 to 143, and although included in this publication, are separate from the accounts of the Council and are subject to a separate audit opinion.
- The accounts of the Fire Pension Fund on page 144.

The Strategic Finance Director, the statutory Chief Financial Officer, is required to certify that the accounts present a true and fair view.

Primary Financial Statements

The primary financial statements are:

- Comprehensive Income & Expenditure Statement.
- Movement in Reserves Statement.
- Balance Sheet.
- Cash Flow Statement.

In terms of these four primary statements the key points to highlight are:

Comprehensive Income & Expenditure Statement (CIES) - (page 49) shows the true economic accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The deficit on the provision of services for 2017/18 was £52.63 million, which is shown in the movement in reserves statement, compared to a surplus of £19.53 million in 2016/17. The reason for this change is mainly due to costs associated with the impairment of non current assets charged in year and a loss on the disposal of non current assets incurred largely as a result of six academy school transfers.

The £52.63 million deficit on the provision of services for 2017/18 represents the accounting deficit on the provision of services in accordance with International Financial Reporting Standards (IFRS).

Following transfers to reserves, the outturn budget position for 2017/18 was a £0.03 million over spend. The approved budget included a transfer from the general fund of £1.30 million to support service provision in year, and this together with the outturn over spend of £0.03 million has reduced the general fund reserve to £18.52 million, from £19.85 million in 2016/17. This may be more relevant for the Council's stakeholders than the Comprehensive Income & Expenditure Statement, which takes a wider financial perspective on the Council's performance. The outturn position only records those expenses which statute allows to be charged against the Council's annual budget. The amounts included in the CIES for items such as depreciation, impairments, capital grants and pension charges are not charged in the General Fund expenditure analysis. The movement in reserves statement, and supporting note 1, together with the expenditure and funding analysis, note 4, provides reconciliation between the two positions.

Movement in Reserves Statement - (page 50) shows the movement during the 2017/18 financial year on the different reserves held by the Council, analysed into useable reserves and other unusable reserves:

- Usable reserves represent money set aside to fund future expenditure plans or reduce taxation.

- Unusable reserves reflect the difference between the surplus or deficit made on the true economic cost of providing the Council's services and the statutory amounts required to be charged to the general fund balance for council tax setting purposes (i.e. adjustments between accounting basis and funding basis under regulations).

The overall increase in the Council's reserves during 2017/18 is £32.47 million, made up of an increase of £6.03 million in useable reserves and an increase of £26.44 million in unusable reserves. The increase in unusable reserves is mainly due to a decrease of £16.91 million in long term liabilities for defined benefit pension schemes, explained below, which is a liability that does not need to be met within the next year, but over the lifetime of scheme members. An unrealised gain in the valuation of long term assets of £42.7 million has also been achieved in year.

Balance Sheet - (page 52) shows the value of the assets and liabilities recognised by the Council as at 31st March 2018. The balance sheet of the Council shows net assets of £410.65 million, which is matched by reserves (as set out in the Movement in Reserves Statement). This represents an increase of £32.47 million from the 2016/17 position.

The increase in net assets is largely due to:

- A decrease of £16.9 million in defined benefit pension fund reserve, which is a liability that does not need to be met within the next year, but over the lifetime of scheme members.
- An increase in cash and cash equivalents of £14.9 million.
- A reduction in short term borrowing and short term provisions of £10.2 million.
- A reduction in long term borrowing and provisions of £10.5 million.
- A reduction in capital grants and contribution receipts in advance held of £12.2 million.
- An increase of short term investments and debtors of £5.9 million.
- Offset by a decrease in the value of Long Term Assets of £38.1 million, reflecting valuation changes, and capital disposals and academy transfers.

Cash Flow Statement - shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities:

- Operating 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, grant income or from 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 future service delivery (note 15, page 76).

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 (note 16, page 76). During the year the cash and cash equivalent increased from £93.6 million at the beginning of the year to £108.5 million at the end of the year. This increase of £14.9 million in cash balances is largely due to investing in short term deposits at year end, as detailed in note 9, page 69.

Principal Risks and Uncertainties

At the end of 2017/18, the following risks are rated as high:

- Reductions and changes to future funding in 2018/19, 2019/20 and 2020/21, and risks and uncertainties relating to NHS funding make it impossible to set a robust and deliverable budget without impacting significantly on Core Services.
- The risk of failure to protect the Council's key information and from Cyber Attacks.
- The risk of failure in corporate governance which leads to service, financial, legal or reputational damage or failure.
- Ineffective commissioning processes and/or lack of capacity or provider failure result in the Council being unable to achieve its strategic objectives.
- The risk of failure to protect Children and Young People from abuse or neglect that could have been prevented or predicted.
- Failure to protect vulnerable adults in Gloucestershire from abuse neglect in situations that potentially could have been predicted and prevented.
- Educational outcomes for vulnerable groups of Children & Young People worsen and the gap widens because of Schools and Academies not meeting their responsibilities to vulnerable groups and accelerating costs of specialist provision.
- The risk of failure to deliver the 'Prevent' strategy (for preventing violent extremism) impacting on residents, businesses of Gloucestershire.
- The risk of failure to protect the confidentiality, integrity and availability of information resulting in inefficient/ineffective service delivery by the Council and its partners, service interruption, harm to individuals, reputational damage, legal action or fines.
- Failure to deliver outcomes of the Prevent Strategy impacting on the Council's reputation due to exposure in national media.
- Uncertainties arising from the UK leaving the EU with the possible impact on funding and policy change affecting Gloucestershire County Council and Local Government in general.

- Sufficient resources are not available to transform services resulting in failure to recover performance in Children's Services from the current Ofsted rated 'inadequate' level.

Pension Liabilities

The liability shown in connection with the defined benefit pension schemes is calculated in accordance with the requirements of International Accounting Standard (IAS) 19 and has decreased by 2.29%, from £736.7 million at the start of the year to £719.7* million at the year end. This is due to the changed financial assumptions, primarily an increase yield on corporate bonds compared to the previous year. The yield on corporate bonds determines the discount rate which is used to calculate the estimated present value of these pension liabilities and the discount rate this year has increased by 0.1% (from 2.6% to 2.7%). The higher the discount rate used, the lower the estimated present value of pension liabilities. Further information can be found in note 32, page 96.

*Note this figure excludes a £10 million up front payment made for contributions due in 2018/19 and 2019/20. This payment was made following a cash flow analysis by the actuary, which showed that an advance payment would achieve a beneficial rate of return and that it represented value for money.

Investment Activity & Borrowing

During 2017/18 treasury management has been conducted according to the Policy Statement approved by the County Council in February 2017. In accordance with this strategy 153 investments were made during the year, at a value of £722 million. Total interest earned on in house deposits was £3.9 million.

As indicated earlier, the capital budget strategy avoids the need for new borrowing, with all capital expenditure being funded from capital grants, capital receipts and contributions. Debt redemption remains a priority of the Council with all maturing debt repaid. At 31st March 2018 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £302.1 million, a reduction of £6.7 million compared with the position at the end of 2016/17.

The Future

We are:

- Working through Government consultation papers on the Fair Funding Review, and reviewing the impact of the one year 100% Business Rates Retention Pilot and the move to 75% Business Rates Retention from 2020/21.
- Implementing the five-year Sustainability and Transformation Plan for Gloucestershire with the Clinical Commissioning Group. The plan shows how we intend to make sure that local services are sustainable over the remaining 4 years.

Conclusion

The financial statements continue to reflect the Council's careful management of resources and a reasonable level of reserves being maintained, leaving the Council in a sound financial position to cope with future challenges and able to meet our liabilities as they fall due.

Additional Information

Further information on the financial statements presented in this document can be obtained from Jayne Fuller, Corporate Finance Manager (01452 328926). jayne.fuller@gloucestershire.gov.uk)

Jo Walker
Strategic Finance Director & Section 151 Officer

Statement of Accounts Policies

Introduction

Accounting policies are the principles, bases, conventions, rules and practices applied by the Council. They specify how the financial effects of transactions and other events are reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. All of the accounting policies adopted, that are material in the context of the Council's 2017/18 financial statements, are described in the following Accounting Policies.

General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom 2017/18 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) (referred to as "the Code" in the following notes) and the Accounts and Audit Regulations 2015. 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. These accounts are prepared on a going concern basis.

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. The bases of recognition are as follows:

- 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 for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- When revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Exceptionally, in some cases actual payments are brought into account as they arise rather than being strictly apportioned between financial years e.g. electricity

and gas charges. The effect on the income and expenditure account is not material.
- Non cheque book schools are accounted for on a cash basis.
- The council tax and business rates income included in the Comprehensive Income and Expenditure Statement (CIES) for the year is the accrued income for the year. The difference between the income included in the CIES and the amount required by regulation to be credited to the County Fund is taken to the Collection Fund Adjustment Account and included as an adjusting item in the Movement in Reserves Statement.
- The district councils in Gloucestershire are acting as agents of the County Council in collecting council tax and business rates. The cash collected from council tax payers and business rates payers belongs proportionately to the district councils and the major preceptors. There is therefore a debtor/creditor position between each district council and the County Council to recognise that the net cash paid to the County Council in the year is not the same as its share of cash collected. The County Council recognises its share of council tax and business rates debtor and creditor balances, impairment allowances for doubtful debts and provisions for losses on appeal in its Balance Sheet. The Cash Flow Statement of the County Council includes the net council tax and business rates cash received from the Collection Fund in the year.

Basis for Redemption of Debt

The Council has historic debt from financing a proportion of its capital investment through raising loans. In accordance with statutory requirements the Comprehensive Income and Expenditure Statement has been charged with an amount that is sufficient to redeem a specified statutory percentage of outstanding debt. The statutory figure is called the Minimum Revenue Provision (MRP). The Council charge a fixed amount per annum, following a review of the methodology, for the repayment of debt.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that are readily converted to known amounts of cash within a short timescale and are available to meet short term cash commitments. Those investments that will mature within three months from the date of acquisition are treated as cash equivalents.

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.

Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are insufficient accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible non-current assets attributable to the service.

The Council is not allowed 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. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, known as the Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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 our 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.

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 our control. Contingent liabilities also arise 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.

Events after the Balance Sheet Date

Balance sheet events have been considered up to the time the Statement of Accounts was authorised for issue.

An adjustment will be made for events after the balance sheet date that provides evidence of the conditions that existed at the balance sheet date. An adjustment will not be made for events that occurred after the balance sheet date that is indicative of conditions that arose after the balance sheet date. However, if the non-adjusting event would have a material effect, disclosure will be made in the notes to the accounts describing the nature of the event and the estimated financial effect.

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 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 earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday 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. These payments are charged on an accrual basis to the relevant directorate in the Cost of Services at the earlier of when the County Council can no longer withdraw the offer of those benefits or when the County 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

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until the employee retires, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

Employees of the Council are members of seven separate pension schemes:

- The Local Government Pensions Scheme.
- The Firefighter's Pensions Scheme.
- The New Firefighter's Pension Scheme.
- The Modified Firefighters Pension Scheme.
- The Firefighters Pension Scheme 2015.
- The Teachers' Pension Scheme.
- The NHS Pension Scheme for employees that have transferred in respect of Public Health.

Local Government Pension Scheme

The Gloucestershire Local Government Pension Scheme for civilian employees is administered by the Council. The assets of the scheme are separately held in a Committee Administered Fund with the Council acting as trustees. It is a statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 2013, as amended and a separate annual audit is carried out by the appointed external auditors.

The scheme is a funded, defined benefit, career average revalued earnings (CARE) scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Retirement benefits are determined independently of the investment of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits.

Firefighter's Pension Schemes

The Firefighter schemes are unfunded defined benefit schemes administered by the Council. There are no assets built up to meet the pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due. Annual pension costs are met from defined employee contributions and charges to the Fire and Rescue Service revenue account. The accounting for these schemes complies with the Code and the IAS19 adjustments are detailed in the notes to the accounts.

Teachers Pension Scheme

The Teachers Pension Scheme is an unfunded, multi-employer defined benefit pension scheme. The Council is unable to identify its share of the underlying assets and liabilities of the scheme. In compliance with the Code, the Council is reporting the Scheme as if it were a defined-contribution scheme.

NHS Pension Scheme

The NHS Pension Scheme is an unfunded, multi-employer defined benefit pension scheme. The Council is unable to identify its share of the underlying assets and liabilities of the scheme. In compliance with the Code, the Council is reporting the Scheme as if it were a defined-contribution scheme.

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.

Financial Instruments

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and liabilities.

All financial instruments held by the Council are reviewed in accordance with the Code. Arrangements to establish the subsequent carrying value and recognition of any gains and losses, and accounting entries are made as applicable. All adjustments are detailed in the notes to the accounts.

Financial Liabilities

Financial liabilities are initially measured at fair value and 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 interest rate for the instrument. 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 in the loan agreement.

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

Where, in previous periods, 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 remaining on the loan against which the premium was payable or the discount receivable. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially recognised at fair value and are carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest). Interest receivable that has accrued in year is credited to the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

Available for sale assets 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 the interest receivable are based on the amortised amount of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain or loss is recognised in the surplus or deficit on the revaluation of available for sale financial asset. 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 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, or fair value falls below cost, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

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 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.

Foreign Currency Translation

The Council does not generally deal in transactions denominated in a foreign currency but when transactions do take place in foreign currency they are converted into sterling at the exchange rate applicable when the transaction took place. Any assets or liabilities held in foreign denominations at the balance sheet date are reconverted at the spot rate applicable at the balance sheet date. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

Revenue grants received are credited to the Comprehensive Income and Expenditure Statement and are accounted for on an accruals basis when the conditions for their receipt have been met, and there is reasonable assurance that the grant or contribution will be received. Specific grants are credited to the Cost of Services, whilst grants received to cover general expenditure are credited to the Taxation and Investment Income line of the Comprehensive Income and Expenditure Statement.

Monies advanced as grants and contributions where conditions attached 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 or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.
Where the Council has met all conditions attached to capital grants and contributions, the income is credited to the Comprehensive Income and Expenditure Statement. This income is reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Intangible Assets

Intangible assets are non-current assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. The Council's intangible assets consist of purchased software licences which are capitalised at cost.

Inventories and Work in Progress

All stocks recognised in the Balance Sheet are held at the lower of historical cost or net realisable value. Certain stocks have not been valued (e.g. office stationery).

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, debiting and crediting the Comprehensive Income and Expenditure Statement accordingly with the appropriate share of income and expenditure related to the activity of the operation.

Better Care Fund & Pooled Budget Arrangements

There is a Section 75 joint agreement relating to the commissioning of health and social care services in Gloucestershire, which includes The Better Care Fund. It is a joint budget arrangement between the County Council, and the Gloucestershire Clinical Commissioning Group. Within the Section 75 agreement there are budgets controlled by the Clinical Commissioning Group, budgets controlled by the County Council, pooled budgets (jointly controlled) and aligned budgets.

Where services are controlled by the County Council the income and expenditure is reflected within the Net Cost of Services in the Comprehensive Income and Expenditure Statement. This also includes the County Council's proportion of jointly controlled budgets. Where services are hosted by the County Council, but controlled by the Clinical Commissioning Groups, the income and expenditure is not reflected in the County Council's accounts

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 and Equipment (PPE) 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.

Finance Leases - The Council as Lessee

PPE held under finance leases is recognised on the Balance Sheet at the start of the lease at its fair value measured at the start of the lease (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 PPE – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

PPE recognised under finance leases are 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 allowed 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, 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.

Finance Leases - The Council as Lessor

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the start of the lease, the carrying amount of the asset in the Balance Sheet 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.

Operating Leases - The Council as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased PPE. Charges are made on a straight-line basis over the life of the lease.

Operating Leases - The Council as Lessor

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.

Property, Plant and Equipment (PPE)

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

Recognition

Expenditure on the acquisition, creation or enhancement of PPE 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.

Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Revaluation of all the County Council's PPE is undertaken using a two-year rolling programme as shown below with any material changes to asset valuations being adjusted in the interim periods:-

	Value (post revaluation) & Date of Last Revaluation	**Value (NBV @ 31/03/18) & Date of next Revaluation**
All Maintained Schools	£625m 2017/18	£598m 2019/20
All Non-School Land & Buildings	£700m 2016/17 also included School building assets due to BCIS increase	£599m 2018/19

Valuations are co-ordinated internally by the Council's Valuation Service Team, with valuations carried out through a combination of the Council's internal valuers and, where necessary, external valuers (RICS qualified). The Valuation Service Team ensures all valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Non operational PPE, classified as surplus assets, are now measured at fair value in accordance with the Code, following the adoption of IFRS 13.

When asset values rise above the amount we paid for them we add the difference to the Revaluation Reserve. When asset values go down, the reduction is charged to any available Revaluation Reserve balance held for that asset, with the remainder being charged to the relevant service line in the CIES. This charge is then reversed out in the MIRS so that there is no impact on council tax.

Impairment

Assets are assessed at 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 in the following way:

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

Depreciation and Amortisation

All PPE with a finite useful life (determined at the time of purchase or revaluation) are reduced in value (depreciated) using the straight line method according to the following rates:

Buildings	Permanent	Up to 100 years
	Temporary	20-25 years
	Leased	Period of lease
Infrastructure	roads and street lighting	25 years
	Bridges	120 years
	footpaths and footbridges	7 years
	vehicles, plant, furniture and equipment	5 –10 years

Intangible assets are amortised over their useful economic lives using the straight-line method as shown below:

Purchased Software Licences	Up to 20 Years
Internally developed Software	Up to 10 Years

Depreciation is calculated on the following basis:

- Assets which are bought from a third party are depreciated for a full year in the year of purchase. All other assets created as a result of capital expenditure during the year are depreciated for a full year where appropriate.
- Land is not depreciated.
- Heritage Assets are not depreciated.
- Assets under construction, being capital works in progress where the uncompleted asset does not have a material benefit to the County Council, are not depreciated.
- Where an item of PPE has major components whose cost is significant in relation to the total cost of the item (de-minimus of £1m per asset), the components are depreciated separately. The Council has identified four component groups that are used as a standard template to carry out valuations as shown below:
  - Land – No depreciation.
  - Host (Frame, floors, roof, windows, walls and doors), depreciate over 41 years, or the actual life of the asset.
  - Services (Internal water installations, sanitary ware, heating, ventilation, electrical, lifts, sprinklers, communications and Photovoltaic panels), depreciate over 22 years, unless the host asset's life is less than 41 years, then depreciate over 53.7% of the life of the host.
  - Externals (Drainage, roads, pavements, fences and external utility pipes), depreciate over 39 years, unless the host asset's life is less than 41 years, then depreciate over 95.2% of the life of the host.
- Revaluation gains are 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.
- Surplus Assets, held for disposal (10-99 years) are not depreciated.

Accounting for Schools

In determining these accounting policies the Council has considered the treatment of land and buildings separately and referred to the requirements and considerations within the following publications and standards:

- The Code.
- IFRS 10 Consolidated Financial Statements.
- IAS 16 Property, Plant and Equipment as adopted by the Code.
- IAS 17 Leases.
- The IASB Conceptual Framework on Local Authority Reporting.
- The Education Act 1996.
- The School Standards and Framework Act 1998.

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The Code concluded that schools are separate entities and that under IFRS 10, maintained schools (but not free schools or academies) meet the definition of entities controlled by local authorities which should be consolidated in group accounts. However, rather than requiring local authorities to prepare group accounts, the Code requires local authorities to account for maintained schools within their single entity accounts. This includes school income and expenditure as well as assets and liabilities.

Maintained schools assets held under finance lease arrangements, where material, are recognised within the Council's accounts in accordance with the Code and IAS 17. A lease is recognised as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the asset even though title may or may not eventually be transferred. This therefore involves looking at the substance of the transaction rather than the form of the contract.

To determine whether a lease meets these conditions, consideration is given as to whether the following situations individually or in combination are in place:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised.
- The lease term is for the major part of the economic life of the asset.
- The present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset, and the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Rentals payable under operating leases are charged directly to the income and expenditure account.

Academies and Free Schools

These are owned and managed completely independently of the Council with all funding apart from high needs top up funding being provided directly by central government. The Council has granted long leases as part of the Academies transfer which includes a peppercorn rent, the Net Present Value (NPV) of future minimum lease payments will be nil and the finance lease receivable will be nil.

No revenue or capital amounts are therefore recognised in the Councils accounts for these entities.

No adjustment is made in the Council's accounts for maintained schools that are in the process of conversion as it is still possible for them to pull out of the conversion process. Their assets are therefore treated and recognised on the basis explained under the maintained schools section below until the actual conversion date. This means assets of schools converting on a 1st April date are still recognised in the previous financial year's accounts.

Maintained Schools

Locally maintained schools consist of the following type of schools: Community, Voluntary Aided, Voluntary Controlled and Foundation Schools.

All locally maintained schools are deemed to be entities controlled by the Council. For this reason, schools' transactions (i.e. income, expenditure, assets, liabilities, reserves and cash flows) that would be recognised by a 'school as an entity' are consolidated into the Council's statement of accounts. A 'school as an entity' should be understood to mean the management of the school (i.e. the governing body, including the head teacher, and the resources controlled by the school management).

This means that, for all locally maintained schools, the Council recognises:

- Their income and expenditure in the Comprehensive Income and Expenditure Statement (within the Children's and Education Services line) in accordance with accounting policy on accruals of income and expenditure.
- Any unspent resources held by Schools within an earmarked revenue reserve, in line with the Council's reserves policy.
- Their current assets and liabilities within the Balance Sheet, under the appropriate heading and in accordance with the Council's accounting policies specific to that asset / liability.

With regard to PPE, the Council recognises the assets of locally maintained schools in its financial statements if, and only if:

- As a result of a past event, it is probable that the future economic benefits or service potential associated with the items will flow to the Council and/or to a 'school as an entity'.
- The costs of the item can be measured reliably.

Playing fields are usually part of the Council's statutory duty and for some schools e.g. Community Schools, the Council is normally the freeholder of the buildings. In other cases trustees or religious bodies are the legal owners. However, in preparing the accounting judgement of whether these schools should or should not be recognised in the Council's accounts we have considered not just legal ownership of the assets, but also the substance of the arrangement.

Although there are cases where a maintained school's land and building assets are not legally owned by the Council, and the owning entity has the right to take them back (described by CIPFA as "mere licences"), we are unaware of any instances where this right has been exercised. There is therefore an expectation of continued use of both land and building assets for the provision of education through the school. In a number of cases the Council has also incurred capital costs on the school buildings and there is an expectation within education regulations that where this is the case a period of notice would need to be given if the owning entity wanted to take back the land or buildings.
Even in cases where the Council does not actually own the freehold of Voluntary Aided, Voluntary Controlled and Foundation schools through legal title itself, the Council retains a residual interest in the proceeds on disposal of land or buildings of any Voluntary Aided school, Voluntary Controlled school, and Foundation School under the provisions of Schedule 22 of the School Standards and Framework Act 1998.

Section 13 of the Education Act 1996 also states: *"A local education authority shall (in so far as their powers enable them to do so) contribute towards the spiritual, moral, mental and physical development of the community by securing that efficient primary education, secondary education and further education are available to meet the needs of their area."*

This clearly shows that all maintained schools contribute towards meeting the Council's service objectives and should therefore form part of our accounts.

Land and buildings of Voluntary Aided, Voluntary Controlled and Foundation Schools are recognised in the Council's statement of accounts.

The Council's school numbers are shown below. Six maintained schools have converted to academies and one school has closed during 2017/18 resulting in a total net book value of £20.182 million removed from the Balance Sheet. The seven schools were St. James Primary, Moat Primary, Rowanfield Infant, Coaley Primary, St. Lawrence Primary, Five Acres High School and Minsterworth Primary.

Maintained Schools included in the Fixed Asset Register	Number of Schools
Alternate Provision Schools	4
Community Mainstream Schools	90
Community Special Schools	9
Foundation Schools	21
Voluntary Aided Schools	39
Voluntary Controlled Schools	52
Total on Balance Sheet	**215**

Academies and Free Schools not included in the Fixed Asset Register	
Academies Sponsor Led	16
Academy Converters	65
University technical college	1
Academy Special Schools Sponsor Led	3
Free Alternate Provision Schools	1
Free Schools	3
Total off Balance Sheet	**89**

Total Maintained Schools, Academies and Free Schools	**304**

Private Finance Initiative (PFI) scheme

PFI contracts are agreements to receive services, where responsibility for making available the PPE needed to provide the services passes to the PFI contractor. Where the Council is deemed to control the services in accordance with IFRIC 12 ownership of the PPE will pass to the Council at the end of the contract. The Council carries the PPE used under the contracts on the Balance Sheet.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) Payment for the fair value of services received, and

b) Payment for the PFI asset, including finance costs.

The original recognition of the PPE is balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets. PPE recognised on the Balance Sheet are valued and depreciated in the same way as other assets owned by the Council. Services received under the contract are recorded under the relevant expenditure headings as operating expenses.

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. In these instances, services have been charged expenditure in anticipation of the liability having been met. 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 and 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.

A specific bad debt provision is estimated by considering the probability of recovery of individual debtor invoices. The specific provision is based upon all known information about the debtor including financial position of the debtor, the age of the invoice and current credit control status of the invoice.

Reserves

In addition to its general revenue balances, the Council has maintained specific reserves for future expenditure and to protect against unexpected events. Certain reserves are kept to manage the accounting processes for tangible non-current assets and retirement benefits. These reserves do not represent usable resources to the Council, and are explained further in the appropriate policies and notes to the accounts.

Revenue 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 or enhancement 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 is made which reverses out the amounts charged so that there is no impact on the level of Council Tax.

Service Concessions

Service concessions are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. The recognition point is the same as for assets under construction, when it is probable that future economic benefits associated with the asset will flow to the organisation and the cost of the asset can be reliably measured.

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.

Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code requires consideration of the impact of standards that have been issued but not yet adopted. This is to enable users to evaluate the risk of these new standards on the Council's current financial position. A number of standards have been issued but are not yet applied, and these are listed below. None are considered to have a material impact on the current year's accounts.

- IFRS 15 Revenue from Contracts with Customers.
- IFRS 9 Financial Instruments.

IFRS 15 Revenue from Contracts with Customers adopts a new methodology for determining when income from providing goods and services should be recognised in the Comprehensive Income & Expenditure Statement. The Council will adopt IFRS 15 with effect from 1st April 2018 and upon transition, any change in the amount of revenue to be recognised will be treated as a movement in reserves on 1st April 2018. The Council does not expect the changes to have a material impact on the financial statements.

The Council will adopt IFRS 9 Financial Instruments with effect from 1st Arpil 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. To this end, on 1st April 2018 the Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by the IFRS:

- CCLA Property Fund.
- Investec Multi Asset Fund.

The Council does not expect the impairment changes to have a material impact on the financial statements because the impairment charge will be immaterial for its treasury management assets (eg bank deposits and bonds) and it already makes a provision for doubtful debts on its service assets. The estimated additional provision calculated as at 1st April 2018 is £0.007 million.

Critical Judgements in applying Accounting Policies

In applying the accounting policies set out, 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 Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council recognises school land and buildings for Community Schools, Voluntary Controlled, Voluntary Aided and Foundation Schools on its Balance Sheet, where it is probable that the future economic benefits or service flow to the Council, and costs can be measured reliably. The Council has not recognised assets relating to Academies, as it is of the opinion that these assets are not controlled by the Council. School assets are recognised as a disposal from the Council's Balance Sheet on the date on which a school converts to Academy status, not on the date of any related announcement, nor is any impairment recognised by the Council prior to conversion.

Assumptions made about the future and other major sources of estimation uncertainty

In preparing the accounts there are areas where estimates are used. These include:

- Useful life and valuations of properties, which are estimated by qualified valuers.
- Fair values of financial assets and liabilities, which are estimated by our treasury advisors.
- Provisions, which are estimated using latest available information.
- Bad debt levels, which are estimated using past trends and experience.
- The liability for future pension payments, which are estimated by qualified actuaries.

The items for which there is significant risk of material adjustment in the forthcoming financial year are as follows:-

- **Property, Plant and Equipment – (Funding Implications)**

  Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances.

- **Pensions**

  The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates 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. Details of the affect of any such changes is provided within Note 32.

Statement of Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Strategic Finance Director.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Strategic Finance Director Responsibilities

The Strategic Finance Director 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).

In preparing this Statement of Accounts, the Strategic Finance Director has:

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

The Strategic Finance Director has also:

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

Certification

I certify that the Statement of Accounts 2017/18 gives a true and fair view of the financial position and Income and Expenditure account of Gloucestershire County Council for the year ended 31st March 2018.

Jo Walker CPFA, Strategic Finance Director
27th July 2018

The Audit & Governance Committee of the County Council approved the Statement of Accounts on 27th July 2018.

Councillor Brian Oosthuysen, Chairperson
27th July 2018

Independent auditor's report to the members of Gloucestershire County Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gloucestershire County Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the accounts, including the statement of accounting policies, and include the fire pensions accounts comprising the Fund Account, the Net Assets Statement and notes to the accounts. 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 in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Finance Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Finance Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Strategic Finance Director is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter 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; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Strategic Finance Director and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Finance Director. The Strategic Finance Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Strategic Finance Director 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 Strategic Finance Director 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 unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work to give our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We are unable to issue our conclusion until we have completed our consideration of matters that have been brought to our attention. We are satisfied that these matters do not have a material effect on the financial statements.

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2018. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

In addition, we cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2018 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018.

- we have completed our consideration of an objection brought to our attention by local authority electors under Section 27 of the Local Audit and Accountability Act 2014.

We are satisfied that these outstanding matters do not have a material effect on the financial statements.

Peter Barber

Peter Barber
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

2 Glass Wharf
Bristol
BS2 0EL

27 July 2018

Independent auditor's report to the members of Gloucestershire County Council on the pension fund financial statements

Opinion

We have audited the pension fund financial statements of Gloucestershire Pension Fund (the 'Authority') for the year ended 31 March 2018 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements. 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 in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Finance Director's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Strategic Finance Director has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

The Strategic Finance Director is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the

Annual Governance Statement and the Annual Report, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement and the Annual Report for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter 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; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Strategic Finance Director and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Finance Director. The Strategic Finance Director is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Strategic Finance Director determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Strategic Finance Director is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit and Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Peter Barber

Peter Barber
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

2 Glass Wharf
Bristol
BS2 0EL

27 July 2018

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils 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.

Restated 31st March 2017*				Balance at 31st March 2018		
Expenditure £'000	**Income £'000**	**Net £'000**		**Expenditure £'000**	**Income £'000**	**Net £'000**
			Gross Expenditure, Gross Income and Net Expenditure of Continuing Operations			
212,837	-67,507	145,330	Adults	228,918	-92,103	136,815
26,146	-25,629	517	Public Health	26,495	-25,090	1,405
412,629	-292,904	119,725	Children & Families	464,448	-301,520	162,928
122,732	-17,411	105,321	Communities & Infrastructure	135,535	-15,623	119,912
36,152	-8,035	28,117	Business Support Services	50,674	-9,385	41,289
17,257	-439	16,818	Technical & Corporate	13,362	-5,542	7,820
827,753	**-411,925**	**415,828**	**Cost Of Services**	**919,432**	**-449,263**	**470,169**
400	-	400	Levies Payable	305	-	305
-	-6,690	-6,690	Gain/Loss on Disposal of Non Current Assets (Note 39)	13,098	-	13,098
400	**-6,690**	**-6,290**	**Other Operating Expenditure**	**13,403**	**-**	**13,403**
17,342	-	17,342	Interest Payable on Debt	16,778	-	16,778
21,684	-	21,684	Net interest on the Net Defined Benefit Liability (Asset)	19,184	-	19,184
-	-3,753	-3,753	Investment Interest income		-3,956	-3,956
39,026	**-3,753**	**35,273**	**Financing and Investment Income and Expenditure**	**35,962**	**-3,956**	**32,006**
-	-65,938	-65,938	Recognised Capital Grants and Contributions	-	-76,214	-76,214
-	-250,140	-250,140	Council Tax	-	-264,748	-264,748
-	-68,835	-68,835	National Non Domestic Rates	-	-72,936	-72,936
-	-49,905	-49,905	Revenue Support Grant	-	-31,211	-31,211
-	-25,445	-25,445	Non Service Related Government Grants	-	-12,446	-12,446
-	-4,076	-4,076	Fire Pensions Top Up Grant	-	-5,392	-5,392
-	**-464,339**	**-464,339**	**Taxation and Non-Specific Grant Income**	-	**-462,947**	**-462,947**
867,179	**-886,707**	**-19,528**	**Surplus (-) or Deficit on Provision of Services**	**968,797**	**-916,166**	**52,631**
22,698	-100,299	-77,601	Revaluation Gains (-)/Losses (Note 13)	72,948	-115,611	-42,663
538	-	538	Surplus or Deficit on Revaluation of Available for Sale Financial Assets (Note 13)	-	-810	-810
100,074	-	100,074	Remeasurement of the Net Defined Benefit Liability (Asset)	-	-41,632	-41,632
123,310	**-100,299**	**23,011**	**Other Comprehensive Income and Expenditure**	**72,948**	**-158,053**	**-85,105**
990,489	**-987,006**	**3,483**	**Total Comprehensive Income and Expenditure**	**1,041,745**	**-1,074,219**	**-32,474**

* Restatement for 2016-17 relates to the removal of central support recharges. Additional information can be found in Note 4

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The 'Surplus or Deficit (-) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. 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.

Movement in Reserves 2016/17	**General Fund Balance £'000**	**Restated * Earmarked General Fund Reserves £'000**	**Total General Fund £'000**	**Capital Receipts Reserve £'000**	**Restated * Capital Grants Unapplied Reserve £'000**	**Total Usable Reserves £'000**	**Unusable Reserves £'000**	**Total Reserves £'000**
Restated Balance at 31st March 2016 carried forward	**19,848**	**140,124**	**159,972**	21,375	**42,005**	**223,352**	**158,308**	**381,660**
<u>Movement in reserves during 2016/17</u>								
Surplus or Deficit (-) on Provision of Services	19,528	-	19,528	-	-	19,528	-	**19,528**
Other Comprehensive Expenditure and Income	-	-		-	-	-	-23,011	- **-23,011**
Total Comprehensive Expenditure and Income	**19,528**	-	**19,528**	-	-	**19,528**	**-23,011**	**-3,483**
Adjustments between accounting basis & funding basis under regulations (Note 1)	-20,291	-	-20,291	10,996	1,823	-7,472	7,472	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**-763**	-	**-763**	10,996	1,823	**12,056**	**-15,539**	**-3,483**
Transfers to/from Earmarked Reserves	763	-763	-	-	-	-	-	-
Increase/Decrease in 2016-17	-	**-763**	**-763**	**10,996**	**1,823**	**12,056**	**-15,539**	**-3,483**
Balance at 31st March 2017	**19,848**	**139,361**	**159,209**	**32,371**	**43,828**	**235,408**	**142,769**	**378,177**

Movement in Reserves 2017/18	General Fund Balance	Earmarked General Fund Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2017 carried forward	**19,848**	**139,361**	**159,209**	**32,371**	**43,828**	**235,408**	**142,769**	**378,177**
Movement in reserves during 2017/18								
Surplus or Deficit (-) on Provision of Services	-52,631	-	-52,631	-	-	-52,631	-	**-52,631**
Other Comprehensive Expenditure and Income							85,105	**85,105**
Total Comprehensive Expenditure and Income	**-52,631**	-	**-52,631**	-	**-**	**-52,631**	**85,105**	**32,474**
Adjustments between accounting basis & funding basis under regulations (Note 1)	51,780	-	51,780	-165	7,042	58,657	-58,657	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**-851**	**-**	**-851**	**-165**	**7,042**	**6,026**	**26,448**	**32,474**
Transfers to/from Earmarked Reserves	-477	477	-	-	-	-	-	-
Increase/Decrease in 2017/18	**-1,328**	**477**	**-851**	**-165**	**7,042**	**6,026**	**26,448**	**32,474**
Balance at 31st March 2018	**18,520**	**139,838**	**158,358**	**32,206**	**50,870**	**241,434**	**169,217**	**410,651**

*** Reserves restated from 2016-17- Highways Act Commuted Sums now classified as Revenue Earmarked Grants, previously shown under Capital Reserves. (Purpose of Reserve remains unchanged- classification change only)**

Balance Sheet

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 are 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 within the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

As at 31st March 2017 £'000		**Notes**	**As at 31st March 2018 £'000**
1,195,307	Property Plant and Equipment	*3*	1,197,400
402	Intangible Assets		237
129,589	Long Term Investments	*5*	90,564
26,126	Long Term Debtors	*5*	25,113
1,351,424	**Long Term Assets**		**1,313,314**
92,510	Short Term Investments	*5*	96,168
1,121	Assets Held for Sale	*10*	1,197
742	Inventories	*6*	610
49,086	Short Term Debtors	*8*	51,318
93,575	Cash and Cash Equivalents	*9 & 17*	108,498
237,034	**Current Assets**		**257,791**
-55,023	Short Term Borrowing	*5*	-44,467
-69,335	Short Term Creditors & Revenue Receipts in Advance	*12*	-79,239
-2,326	Short Term Provisions	*11*	-2,793
-57,171	Capital Grants and Contributions Receipts in Advance	*24*	-44,935
-9,409	Provision for Accumulated Absences	*11*	-9,473
-193,264	**Current Liabilities**		**-180,907**
-2,494	Deferred Liability	*37*	-2,420
-5,563	Long Term Provisions	*11*	-3,524
-272,298	Long Term Borrowing	*5*	-263,854
-736,662	Liability Related to Defined Benefit Pension Scheme	*32*	-709,749
-1,017,017	**Long Term Liabilities**		**-979,547**
378,177	**Net Assets**		**410,651**
	Usable Reserves		
43,828	Capital Grants & Contributions Unapplied Reserve	*2*	50,871
32,371	Useable Capital Receipts Reserve	*2*	32,206
19,848	General Fund Balance	*2*	18,520
139,361	Earmarked Reserves	*2*	139,837
235,408			**241,434**
	Unusable Reserves		
-9,409	Short Term Accumulated Absences Account	*13*	-9,473
691,013	Capital Adjustment Account	*13*	665,596
196,023	Revaluation Reserve	*13*	230,210
2,123	Collection Fund Adjustment Account	*13 & 38*	3,189
2,300	Deferred Capital Receipts Reserve	*13*	1,100
1,493	Available for Sale Revaluation Reserve	*13*	2,303
-4,112	Financial Instrument Adjustment Account	*13*	-3,959
-736,662	Defined Pension Fund Reserve	32	-719,749
142,769			**169,217**
378,177	**Total Reserves**		**410,651**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by 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.

2016/17 £'000		**2017/18 £'000**
-19,528	Net Surplus (-) or Deficit on the Provision of Services	52,631
-72,772	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements (note 14)	-144,466
83,481	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities (note 14)	87,701
-8,819	Net Cash Flows from Operating Activities	**-4,134**
29,989	Investing Activities (Note 15)	-29,691
-4,586	Financing Activities (Note 16)	18,902
16,584	Net Increase or Decrease in Cash and Cash Equivalents	**-14,923**
-110,159	Cash and Cash Equivalents at the beginning of the reporting period	-93,575
-93,575	**Cash and Cash Equivalents at the end of the reporting period** (Note 9)	**-108,498**

Contents of the Notes to the Statement of Accounts

1. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure statement 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.

2016/17

	Usable Reserves			
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Un-applied Reserve**	**Movement in Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Depreciation and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets	-46,244			46,244
Revenue expenditure funded from capital under statute	-14,006			14,006
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-11,007			11,007
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of Capital Investment	8,751			-8,751
Capital expenditure charged against the General Fund Balance	13,876			-13,876
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	17,697	-17,697		
Use of the Capital Receipts Reserve to finance new capital expenditure		6,701		-6,701
Adjustments primarily involving the Capital Grants Unapplied Reserve				
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement	65,895		-65,895	
Application of grants and contributions to capital financing transferred to capital adjustment account			64,072	-64,072
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	153			-153
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-13,203			13,203
Adjustments primarily involving the Collection Fund Adjustment Account:				
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	-856			856
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-765			765
Total Adjustments	**20,291**	**-10,996**	**-1,823**	**-7,472**

2017/18	Usable Reserves General Fund Balance	Capital Receipts Reserve	Capital Grants Un-applied Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Depreciation and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets	-89,999			89,999
Lifecycle Costs- PFI	84			-84
Movement in the Donated Assets Account				0
Revenue expenditure funded from capital under statute	-21,947			21,947
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-24,673			24,673
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of Capital Investment	6,766			-6,766
Capital expenditure charged against the General Fund Balance	13,763			-13,763
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	11,575	-11,575		
Use of the Capital Receipts Reserve to finance new capital expenditure		12,940		-12,940
Transfer from Deferred capital receipts reserve following receipt of cash		-1,200		1,200
Adjustments primarily involving the Capital Grants Unapplied Reserve:				
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement	76,214		-76,214	
Application of grants and contributions to capital financing transferred to capital adjustment account			69,172	-69,172
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	154			-154
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-24,719			24,719
Adjustments primarily involving the Collection Fund Adjustment Account:				
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	1,066			-1,066
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-64			64
Total Adjustments	**-51,780**	**165**	**-7,042**	**58,657**

2. Useable Reserves

This note sets out the amounts set aside from the General Fund Balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

Earmarked Revenue Reserves	Balance at 31st March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31st March 2018
	£'000	£'000	£'000	£'000
Strategic Waste Reserve	36,005	-	2,774	38,779
Fire Joint Training Centre	1,144	-25	-	1,119
Fire PFI Reserve- GRFS	3,048	-	248	3,296
Insurance Fund	12,560	-579	-	11,981
Capital Fund	14,271	-8,831	8,587	14,027
Transformation Reserve	6,462	-9,829	5,614	2,247
County Elections	934	-826	200	308
Vehicle & Plant Replacement	82	-	-	82
Fire Service Pensions	127	-	-	127
Active Communities	1,230	-828	-	402
Invest to Save	3,141	-802	321	2,660
Education Funding Risk Reserve	500	-	-	500
Adoption Reserve	163	-163	-	-
Economic Stimulus Reserve	6,097	-1,601	-	4,496
Public Health	3,641	-1,643	-	1,998
Vulnerable Children Reserve	3,124	-3,124	1,603	1,603
Adult Care Reserve	2,903	-1,131	1,921	3,693
Growing our Communities Reserve	-	-	1,590	1,590
People Services Reserve	-	-	713	713
Home to School Transport Reserve	468	-236	68	300
A417 Missing Link Reserve	1,259	-1,008	2,741	2,992
Rates Retention Reserve	2,505	-875	1,330	2,960
Revenue Grant Reserves	10,710	-10,710	17,769	17,769
Communities & Infrastructure Reserve	703	-666	481	518
Traded & Shared Audit Services Reserve	253	-63	200	390
LED Renewables Reserve	463	-	-	463
Services to Families with Young Children Reserve	300	-300	-	-
IRIS Project Reserve	-	-	825	825
Minimum Wage Reserve	-	-	1,000	1,000
Other Reserves	596	-165	-	431
Highways Act Commuted Sums Reserves	2,189	-205	64	2,048
Total Non School Earmarked Reserves	**114,878**	**-43,610**	**48,049**	**119,317**
Schools Related				
School Balances	19,688	-2,473	-	17,215
Other Schools Related	4,795	-1,490	-	3,305
Total School Related	**24,483**	**-3,963**	**-**	**20,520**
Total Earmarked Revenue Reserves	**139,361**	**-47,573**	**48,049**	**139,837**
General Fund Balances	**19,848**	-1,328	-	**18,520**
Total Revenue Reserves	**159,209**	**-48,901**	**48,049**	**158,357**

Earmarked Capital Reserves	Balance at 31st March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31st March 2018
	£'000	£'000	£'000	£'000
Capital Grants & Contributions Unapplied Reserve	43,828	-57,071	64,114	50,871
Useable Capital Receipts Reserve	32,371	-13,187	13,022	32,206
Total Capital Reserves	**76,199**	**-70,258**	**77,136**	**83,077**

Reserve Description

Strategic Waste -This is a smoothing reserve relating to the full contract life of the Energy from Waste project.

Fire Joint Training Centre - This is a smoothing reserve relating to the full life contract for the Fire Training Centre.

Fire PFI (GRFS) - This is a smoothing reserve relating to the full life contract for the Fire Stations PFI.

Insurance Fund - Levels are based on external professional actuarial review and advice to mitigate GCC's insurance liability.

Capital Fund - This reserve is used for capital financing and is fully committed to fund schemes approved under the Council's Capital Programme.

Transformation - This reserve funds the transformation required for the Council to make sustainable savings.

Council Elections - This reserve is to smooth the cost of funding the Council elections.

Vehicle & Plant Reserve - This reserve is to support the purchase of vehicle and plant.

Fire Service Pensions - The reserve is to support any potential liabilities under the Fire Service pension schemes.

Active Communities - This reserve has been established to meet the Council's strategy to provide support for people to do more for themselves, their families and communities without the Council having to intervene.

Invest to Save - This reserve is fully committed to invest to save projects e.g: Salix loan grants initiative for energy saving projects; Photovoltaic PV panels for Shire Hall; ICT improvements.

Education Funding Risk - This reserve was established to smooth the impact from schools becoming academies.

Adoption - This reserve was established to fund a package of measures relating to adoptions over a number of years.

Economic Stimulus - This reserve is fully committed to fund: Rural Broadband ; Apprentices ; Grow Gloucestershire.

Public Health - Ring fenced grant reserve was established in accordance with national grant conditions to carry forward any unspent balances from the annual grant received from Government.

Vulnerable Children - The reserve offsets demand-led pressures in Children's Services.

Adult Care - This reserve provides funding to mitigate demand risk in Adult Social Care, given the continuing concern about the volatility in demand and the pressure across the health and social care economy.

Growing Our Communities Fund – this fund will allow each Councillor to allocate £30,000 over a three year period to invest in key community projects.

People Services - The reserve offsets demand-led pressures in People Services.

Home to School Transport - This reserve is to smooth the impact changes in schools days year to year on home to school transport.

A417 Missing Link - This reserve has been established to support pre development work on the A417 project to be undertaken.

Rates Retention -This reserve was established to cover the Council against a potential funding shortfall in business rate income, given the volatility of the scheme and the deficit experienced in 2015/16.The reserve also holds £0.515 million ring fenced for economic development projects within the County.

Revenue Grants - A technical reserve for specific unapplied revenue grants and contributions, where conditions related to the monies have been met but expenditure has not been incurred. The monies remained ring fenced and fully committed. This reserve is prepared in accordance with the Accounting Code of Practice issued annually by the Chartered Institute of Public Finance and Accountancy, which the Council is legally required to follow.

Communities & Infrastructure - Reserve has been established to carry forward specific budget under spends.

Traded & Shared Audit Services - This reserve was established to mitigate against any loss in traded income and invest in services to generate more traded income.

LED Renewables - This reserve was established to provide budget support for the LED renewables project.

Sevices to Families with Young Children - This reserve was established to provide specific budget support to services to Families with young children, committed in 2017/18.

IRIS Project Reserve - This reserve was established to provide budget support for the Children Services IRIS project.

Minimum Wage - This reserve was established to provide budget support for increases in the cost of employment and engagement with partners.

Other - Small number of miscellaneous reserves

Highways Act Commuted Sums - Monies held to support costs of future highways maintenance.

School Balances and Other School Related - These reserves represents specific ring fenced balances held by individual schools and central ring fenced balances carried forward to support future years expenditure.

Capital Grant & Contributions -This technical reserve relates to unspent capital grants and contributions, which are fully committed to funding the Council's approved Capital Programme.

Capital Receipts - This reserve reflects unapplied capital receipts, which are fully committed to funding the approved capital programme.

3. Non-current Assets

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Heritage Assets	**Total Property, Plant and Equipment**	PFI Assets included in PPE
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Gross book value at 31st March 2016	**825,297**	**18,947**	**614,291**	**10,093**	**4,711**	**894**	**1,474,233**	**27,055**
Additions	14,488	4,391	45,729	-	7,219	-	71,827	19
Donations	-	-	-	-	-	-	-	-
Revaluation increases recognised in Revaluation Reserve	95,865	-	-	4,434	-	-	100,299	-
Revaluation Reserve adjustment refund to I & E	13,189	-	-	733	-	-	13,922	857
Revaluation decrease recognised in Revaluation Reserve	-22,698	-	-	-	-	-	-22,698	-934
Revaluation Reserve adjustment charge to I & E	-14,858	-	-	-15	-	-	-14,873	-
Derecognition – Disposals	-11,875	-278	-	-989	-	-	-13,142	-
Assets reclassified from Held for Sale	2,047	-	-	-	-	-	2,047	-
Assets reclassified to Held for Sale	-612	-	-	-	-	-	-612	-
Assets Under Construction completed schemes	-	-	-	-	-1,228	-	-1,228	-
Surplus reclassification	1,205	-	-	-1,205	-	-	-	-
Gross book value at 31st March 2017	**902,048**	**23,060**	**660,020**	**13,051**	**10,702**	**894**	**1,609,775**	**26,997**
Accumulated Depreciation and Impairment as at 31st March 2016	**-118,219**	**-4,997**	**-247,360**	**-919**	**-**	**-**	**-371,495**	**-4,452**
Depreciation charge	-18,822	-3,863	-22,381	-43	-	-	-45,109	-1,268
Surplus reclassification	-334	-	-	334	-	-	-	-
Derecognition – disposals	1,621	275	-	240	-	-	2,136	-
At 31st March 2017	**-135,754**	**-8,585**	**-269,741**	**-388**	**-**	**-**	**-414,468**	**-5,720**
Net book value at 31st March 2017	**766,294**	**14,475**	**390,279**	**12,663**	**10,702**	**894**	**1,195,307**	**21,277**

3. Non-current Assets

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Heritage Assets	**Total Property, Plant and Equipment**	PFI Assets included in PPE
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Gross book value at 31st March 2017	**902,048**	**23,060**	**660,020**	**13,051**	**10,702**	**894**	**1,609,775**	**26,997**
Additions	33,766	6,582	37,838	-	5,842	-	**84,028**	84
Donations	-	-	-	-	-	-	-	-
Revaluation increases recognised in Revaluation Reserve	114,491	-	-	1,080	-	40	**115,611**	-
Revaluation Reserve adjustment refund to I & E	3,366	-	-	-	-	-	**3,366**	-
Revaluation decrease recognised in Revaluation Reserve	-70,049	-	-	-2,899	-	-	**-72,948**	-117
Revaluation Reserve adjustment charge to I & E	-40,530	-	-	-1,686	-	-	**-42,216**	-
Derecognition – Disposals	-24,167	-786	-1,908	-3,328	-	-	**-30,189**	-
Assets reclassified from Held for Sale	1,044	-	-	-	-	-	**1,044**	-
Assets reclassified to Held for Sale	-1,120	-	-	-	-	-	**-1,120**	-
Assets Under Construction uncompleted schemes	-	-	-	-	-10,017	-	**-10,017**	-
Surplus reclassification	-4,259	-	-	5,406	-	-	**1,147**	-
Gross book value at 31st March 2018	**914,590**	**28,856**	**695,950**	**11,624**	**6,527**	**934**	**1,658,481**	**26,964**
Accumulated Depreciation and Impairment as at 31st March 2017	**-135,754**	**-8,585**	**-269,741**	**-388**	**-**	**-**	**-414,468**	**-5,720**
Depreciation written out to the Surplus/Deficit on the provision	-20,107	-5,964	-23,972	-194	-	-	-50,237	-1,277
Depreciation written out to the Revaluation Reserve	-743	-	-	-	-	-	-743	-
Surplus reclassification	-	-	-	-1,147	-	-	-1,147	-
Derecognition – disposals	2,513	606	1,908	488	-	-	5,515	-
At 31st March 2018	**-154,091**	**-13,943**	**-291,805**	**-1,241**	**-**	**-**	**-461,080**	**-6,997**
Net book value at 31st March 2018	**760,499**	**14,913**	**404,145**	**10,383**	**6,527**	**934**	**1,197,401**	**19,967**

Non Current Asset Valuations

- **Land and Property**

  The Code requires all land and property to be formally revalued at least every five years. This years valuation covers a full valuation of all maintained Schools and Nurseries.

  Operational land and property is included in the Balance Sheet on the basis of existing use value or, where this cannot be assessed because there is no market, depreciated replacement cost. With the exception of schools which are on a Modern Equivalent Asset basis, the valuation approach reflects the demand for space based on the number of children on roll.

  Fair Value- Surplus Assets

  Non-operational land and property is included on the basis of IFRS 13 Fair Value except assets under construction which are included on the basis of capital expenditure incurred by 31st March 2018. The valuations have been undertaken by qualified valuers, consistent with the current accounting policy. All the Council's surplus assets have been assessed as Level 3 for valuation purposes using the following fair value hierarchy:-

  Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
  Level 2 - fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

  Level 3 - fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

- **Vehicles, Plant, Furniture and Equipment**

  Vehicles, plant, furniture and equipment are included at historical cost, less accumulated depreciation. Furniture and equipment charged to the capital account is included at historical cost and depreciated over the expected life.

- **Infrastructure Assets**

  These assets, consisting of roads, bridges, street lighting, footpaths and footbridges, are included on the basis of historical costs incurred since 1st April 1974, depreciated over periods in accordance with the anticipated life of the various types of infrastructure.

- **Donated Assets**

  Donated assets are defined as assets transferred at nil value or acquired at less than fair value.

Note 4. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned 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

Restated 2016-17

	As Reported for Resource Management	**Adjustments between Funding and Accounting Basis**	**Net Expenditure in the Comprehensive income and expenditure statement**
	£000	**£000**	**£000**
Adults	152,893	-7,563	145,330
Public Health	25,542	-25,025	517
Children & Families	102,560	17,165	119,725
Communities & Infrastructure	87,339	17,982	105,321
Business Support Services	26,907	1,210	28,117
Support Service Recharges	-26,936	26,936	-
Technical & Corporate	51,754	-34,936	16,818
Net cost of Services	420,059	-4,231	415,828
Other income and expenditure	-420,059	-15,297	-435,356
Surplus or Deficit	**-**	**-19,528**	**-19,528**
Opening General Fund Balance 31st March 2016	19,848		
Surplus/deficit on General Fund	-		
Closing General Fund Balance 31st March 2017	**19,848**		

Expenditure and Funding Analysis 2017-18

	As Reported for Resource Management	**Adjustments between Funding and Accounting Basis**	**Net Expenditure in the Comprehensive income and expenditure statement**
	£000	**£000**	**£000**
Adults	145,177	-8,362	136,815
Public Health	24,912	-23,507	1,405
Children & Families	103,122	59,806	162,928
Communities & Infrastructure	88,155	31,757	119,912
Business Support Services	26,488	14,801	41,289
Support Service Recharges	-26,810	26,810	-
Technical & Corporate	46,691	-38,805	7,886
Net cost of Services	**407,735**	**62,500**	**470,235**
Other income and expenditure	-407,702	-9,869	-417,571
Surplus or Deficit	**33**	**52,631**	**52,664**
Opening General Fund Balance 31st March 2017	19,848		
Surplus/deficit on General Fund	-33		
Budgeted Transfer from General Fund	-1,295		
Closing General Fund Balance 31st March 2018	**18,520**		

Restated 2016-17

Adjustments from the General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	As Reported for Resource Management	Removal of Central Support Recharges and Adjustment for Public Health Grant Funding	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000	£000	£000
Adults	152,893	-10,685	4,359	-543	-694	-7,563
Public Health	25,542	-25,836	-	-	811	-25,025
Children & Families	102,560	-10,154	22,418	-2,639	7,540	17,165
Communities & Infrastructure	87,339	-5,636	28,798	2,806	-7,986	17,982
Business Support Services	26,907	-	3,846	-	-2,636	1,210
Central Support Recharges	-26,936	24,101	-	-	2,835	26,936
Technical & Corporate	51,754	2,668	822	-4,030	-34,396	-34,936
Net Cost of Services	**420,059**	**- 25,542**	**60,243**	**-4,406**	**-34,526**	**-4,231**
Other income and expenditure from the funding analysis	**-420,059**	**25,542**	**-6,690**	**21,684**	**-55,833**	**-15,297**
Difference between General Fund Surplus and Deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit	**-**	**-**	**53,553**	**17,278**	**-90,359**	**-19,528**

Note 4. Notes to Expenditure & Funding Analysis

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

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

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

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

Note ii Net Change for the Pensions Adjustments

Benefits pension related expenditure and income:

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

For Financing and investment income and expenditure — the net interest on the defined benefit liability is charged to the CIES.

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

For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts. The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Non Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

2017-18

Adjustments from the General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	As Reported for Resource Management	Central Support Recharges and Adjustment for Public Health Grant Funding	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000	£000	£000
Adults	145,177	-8,742	5,710	2,832	-8,162	-8,362
Public Health	24,912	-25,201	-	-	1,694	-23,507
Children & Families	103,122	-8,104	56,219	5,100	6,591	59,806
Communities & Infrastructure	88,155	-3,345	27,847	5,416	1,839	31,757
Business Support Services	26,488	-	15,068	7	-274	14,801
Central Support Recharges	-26,810	23,375	-	-	3,435	26,810
Technical & Corporate	46,691	-2,895	-2,643	-2,363	-30,904	-38,805
Net Cost of Services	**407,735**	**- 24,912**	**102,201**	**10,992**	**-25,781**	**62,500**
Other income and expenditure from the funding analysis	**-407,702**	**24,912**	**13,098**	**19,184**	**-67,063**	**-9,869**
Difference between General Fund Surplus and Deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit	**33**	**-**	**115,299**	**30,176**	**-92,844**	**52,631**

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

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

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

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note ii Net Change for the Pensions Adjustments

Benefits pension related expenditure and income:
For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure — the net interest on the defined benefit liability is charged to the CIES.

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

For financing and investment income and expenditure the other differences column recognises adjustments to the general fund for the timing differences for premiums and discounts. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Non Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Revenues from External Customers

	2016/17	2017/18
	£'000	£'000
Commissioning Director - Adults	-30,603	-29,601
Children & Families Commissioner	-7,587	-8,291
Communities and Infrastructure	-14,351	-14,328
Director of Public Health	-13	-78
Support Services	-6,874	-8,481
Technical and Cross Cutting	-130	-72
Total Revenues from External Customers	**-59,558**	**-60,851**

5. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	2016/17	**2017/18**	2016/17	**2017/18**
	£'000	**£'000**	£'000	**£'000**
Financial Assets				
Loans and Receivables	71,000	59,000	148,809	172,618
Available-for-Sale Financial Assets	58,589	31,564	28,588	25,564
Other Cash			8,689	6,485
Total Investments	**129,589**	**90,564**	**186,086**	**204,667**
Debtors(Excluding Statutory obligations and Payments in Advance)	26,126	25,113	37,989	39,276
Total Debtors	**26,126**	**25,113**	**37,989**	**39,276**

Financial Liabilities	Long Term		Current	
	2016/17	**2017/18**	2016/17	**2017/18**
	£'000	**£'000**	£'000	**£'000**
Borrowings at amortised cost	252,463	244,599	54,467	43,896
Total Borrowings	**252,463**	**244,599**	**54,467**	**43,896**
Lease Liabilities				
PFI liabilities at amortised cost	19,835	19,255	556	571
Total other long term liabilities	**19,835**	**19,255**	**556**	**571**
Total Borrowing and Long Term Liabilities	**272,298**	**263,854**	**55,023**	**44,467**
Creditors(Excluding Statutory obligations and Receipts in Advance)	-	-	62,235	63,426
Total Creditors	**-**	**-**	**62,235**	**63,426**

Expense, Income, Gains and Losses

	2016/17				**2017/18**			
	Financial Liabilities at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total	**Financial Liabilities at amortised cost**	**Financial Assets: Loans and Receivables**	**Financial Assets: Available for Sale**	**Total**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense	17,342	-	-	**17,342**	16,778			**16,778**
Total expense in Surplus or Deficit on the Provision of Services	**17,342**	**-**	**-**	**17,342**	**16,778**	**-**	**-**	**16,778**
Interest income		-2,192	-1,561	**-3,753**		-1,808	-2,148	**-3,956**
Gains on derecognition		-	-	**-**				
Total income in Surplus or Deficit on the Provision of Services		**-2,192**	**-1,561**	**-3,753**	-	**-1,808**	**-2,148**	**-3,956**
Gain (-)/Loss on revaluation			538	**538**			-810	**-810**
Surplus or deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**538**	**538**	-	-	**-810**	**-810**
Net loss/gain(-) for the year	**17,342**	**-2,192**	**-1,023**	**14,127**	**16,778**	**-1,808**	**-2,958**	**12,012**

Fair Values of Assets and Liabilities

Fair Values are considered for financial liabilities that are represented by PWLB and other long-term borrowing and finance leases. Although no adjustments were recognised in the accounts, accounting practice requires that fair values are disclosed. These liabilities are carried in the Balance Sheet at amortised cost and their fair values are assessed by calculating the net present value of the future contractual cash flows that will take place over the remaining term of the instruments:

For commercial 'lender option borrower option' (LOBO) loans, future estimated cash flows are compared with the cash flows that would result from a comparable replacement PWLB loan.

Fair Values are shown in the tables below, split by the level in the fair value hierarchy:

Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

Level 2 - fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

Level 3 - fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Financial liabilities held at amortised cost:	Fair Value Level	31st March 2017 Carrying Amount shown on Balance Sheet	31st March 2017 Fair Value	**31st March 2018 Carrying Amount shown on Balance Sheet**	**31st March 2018 Fair Value**
		£'000	£'000	**£'000**	**£'000**
Loans from PWLB	2	255,351	356,257	**246,914**	**332,712**
Non PWLB loans	2	51,579	78,678	**41,581**	**75,292**
Finance Leases and PFI Liabilities	2	20,391	38,491	**19,826**	**32,631**
Total Financial Liabilities		**327,321**	**473,426**	**308,321**	**440,635**
Recorded on the balance sheet as:-					
Short-term borrowing		55,023		**44,467**	
long-term borrowing		272,298		**263,854**	
Total Financial Liabilities		**327,321**		**308,321**	

Financial assets held at fair value:	Fair Value Level	31st March 2017 Carrying Amount shown on Balance Sheet at Fair Value	**31st March 2018 Carrying Amount shown on Balance Sheet at Fair Value**
		£'000	**£'000**
Money market funds; notice and call accounts	1	84,980	**102,285**
Bonds, equities and Property funds	1	72,191	**65,664**
Total Financial Assets held at Fair Value		**157,171**	**167,949**

Financial assets held at amortised cost:		31st March 2017 Carrying Amount shown on Balance Sheet	31st March 2017 Fair Value	**31st March 2018 Carrying Amount shown on Balance Sheet**	**31st March 2018 Fair Value**
		£'000	£'000	**£'000**	**£'000**
Bank deposits	2	55,243	55,297	**22,099**	**21,148**
Loans to local authorities	2	94,572	97,739	**98,697**	**102,775**
Cash in Hand		8,688	8,688	**6,485**	**6,485**
Total Financial Assets held at Amortised Cost		**158,503**	**161,724**	**127,281**	**130,408**
Total Financial Assets		**315,674**	**318,895**	**295,230**	**298,357**
Recorded on the balance sheet as:-					
Long-term investments		129,589		**90,564**	
Short-term investments		92,510		**96,168**	
Cash and cash equivalents		93,575		**108,498**	
Total Financial Assets		**315,674**		**295,230**	

The fair values of the loans are higher than the carrying amount because the Council's borrowing portfolio includes fixed rate loans where the interest rates payable are higher than the prevailing market rates at the Balance Sheet date.

The Council holds shares costing £1 in Ubico Ltd. The fair value of the council's interest in the company at 31st March 2018 is considered to be nil, since it is a wholly local authority owned not-for-profit 'Teckal' company. As a 'Teckal' company it is treated as if it were an in house department and the shareholder councils are able to enter into service contracts with the company without undertaking an EU compliant procurement process.

6. Inventories

	2016/17 £'000	**2017/18 £'000**
Maintenance Materials		
Balance outstanding at start of the year	1,465	742
Purchases	4,159	1,971
Stock used within the year	-4,882	-2,103
Balance outstanding at year-end	**742**	**610**

7. Contractual Capital Commitments

A contractual capital commitment is where a significant new contract has been agreed during the financial year where a legal agreement has been entered in to and can not easily be backed out of. The Council has a policy that a significant contract value would be £3m or above.

Contractual commitments totalling £13.89 million exist within the capital programme for classroom expansion works at Beaufort, Severn Vale and Cleeve Schools all of which are Academies.

8. Debtors

	2016/17 £'000	**2017/18 £'000**
Central Government Bodies	13,109	14,943
Other Local Authorities	3,070	2,340
NHS Bodies	4,811	7,148
Public Corporations and Trading Funds	378	482
Other Entities and Individuals	27,718	26,405
Total	**49,086**	**51,318**

9. Cash and Cash Equivalents

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

	2016/17 £'000	**2017/18 £'000**
Cash held by the Council, including schools	8,688	6,485
Cash held in call/money market accounts with same day access	15,000	30,000
Cash Equivalents - investments maturing within 3 months	69,887	72,013
Total Cash and Cash Equivalents	**93,575**	**108,498**

10. Assets Held for Sale

	2016/17 £'000	**2017/18 £'000**
Balance outstanding at start of year	2,556	1,121
Assets newly classified as held for sale:		
Property, Plant and Equipment	588	975
Assets sold	-2,023	-899
Balance outstanding at year-end	**1,121**	**1,197**

11. Provisions

	Short Term Liabilities	Long Term Liabilities	**Balance at 1st April 2017**	Applications	Additions	Amounts Written off in Year	**Balance at 31st March 2018**	Short Term Liabilities	Long Term Liabilities
	£'000	£'000	**£'000**	£'000	£'000	£'000		£'000	£'000
Insurance Fund	-2,326	-2,801	**-5,127**		-1,020	-	**-6,147**	-2,793	-3,354
Adults:									
Community Equipment Liabilities		-200	**-200**			200	**-**		
Communities & Infrastructure:									
GSWBP Land Claims		-95	**-95**				**-95**		-95
Contracts		-2,369	**-2,369**	2,369			**-**		
Children & Families:									
Pension Strain Costs		-29	**-29**				**-29**		-29
General:									
Pension Strain & Redundancy costs		-7	**-7**				**-7**		-7
Retained Fire Fighters Liabilities		-10	**-10**				**-10**		-10
LAMS Scheme Liabilities		-52	**-52**	23			**-29**		-29
Total	**-2,326**	**-5,563**	**-7,889**	**2,392**	**-1,020**	**200**	**-6,317**	**-2,793**	**-3,524**
Employee Accrual - IAS19 accumulated absences	-9,409		**-9,409**		-64		**-9,473**	-9,473	
Total	**-9,409**	**-**	**-9,409**	**-**	**-64**	**-**	**-9,473**	**-9,473**	**-**

Insurance Fund

Whilst Insurance services are arranged through external partners, the current excess levels effectively means that all but the very largest claims are self insured. The Council therefore operates a stand alone insurance fund to cover the impact of any self insurance liabilities. The Provisions held specifically relate to known claims which had not been settled at year end.

Employee Accrual - IAS19 accumulated absences

Local Authorities are required to account for benefits payable during employment in accordance with IAS19. The provision held within the Accumulated Absences Account relates to estimated costs associated with short term benefits such as leave, flexible working hours and additional TOIL, which have been accumulated at the end of 2017/18 but will not be settled until 2018/19.

12. Creditors & Revenue Receipts in Advance

	2016/17 £'000	**2017/18 £'000**
Central Government Bodies	14,809	15,861
Other Local Authorities	6,105	4,996
NHS Bodies	3,776	7,070
Public Corporations and Trading Funds	97	102
Other Entities and Individuals	44,548	51,210
Total	**69,335**	**79,239**

13. Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). 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 1st 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.

	Restated 2016/17 £'000	**2017/18 £'000**
Balance at 1st April	125,179	196,023
Upward revaluation of assets	100,299	115,611
Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	-22,698	-72,948
Depreciation written out to the Capital Adjustment Account		-743
Accumulated gains on assets sold or scrapped	-6,757	-7,733
Balance at 31st March	**196,023**	**230,210**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains/losses made by the Council arising from increases/decreases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments. The investments concerned are part of the portfolio held by the Council's external fund managers.

	2016/17 £'000	**2017/18 £'000**
Balance at 1st April	2,031	1,493
Change in year end valuation	-538	810
Balance at 31st March	**1,493**	**2,303**

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 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 1 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	Restated 2016/17 £'000	**2017/18 £'000**
Balance at 1st April	662,115	691,013
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	-45,109	-50,983
Depreciation written out to the Revaluation Reserve		743
Amortisation of intangible assets	-183	-166
PFI Lifecycle costs		84
Revaluation losses on Property, Plant and Equipment	-954	-38,849
Revenue expenditure funded from capital under statute	-14,006	-21,947
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-11,007	-24,673
Adjusting amounts written out of the Revaluation Reserve	6,757	7,733
Capital financing applied in the year:		
Write off of deferred charges		
Use of the Capital Receipts Reserve to finance new capital expenditure	6,701	12,940
RCCO applied to capital financing	13,876	13,763
Voluntary Provision for financing of Capital Investment	-	-
Statutory Provision for the financing of Capital Investment	8,751	6,766
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	64,072	69,172
Balance at 31st March	**691,013**	**665,596**

Defined Pension Fund 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 employers' 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 present 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.

	2016/17 £'000	**2017/18** **£'000**
Balance at 1st April	-623,385	-736,662
Remeasurement of net defined benefit liability	-100,074	41,632
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	-13,203	-24,719
Balance at 31st March	**-736,662**	**-719,749**

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 payers and local businesses compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2016/17 £'000	**2017/18** **£'000**
Balance at 1st April	2,979	2,123
Amount by which Council Tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non Domestic income calculated for the year in accordance with statutory requirements.	-856	1,066
Balance at 31st March	**2,123**	**3,189**

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

	2016/17 £'000	**2017/18** **£'000**
Balance at 1st April	-8,645	-9,409
Amount in which the settlement or cancellation of accrual made at the end of the preceding year and the amount accrued at the end of this year differs.	-764	-64
Balance at 31st March	**-9,409**	**-9,473**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums and discounts paid or received on the early redemption of loans. Premiums or Discounts are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax.

	2016/17 £'000	**2017/18** **£'000**
Balance at 1st April	-4,266	-4,112
Adjustments with the General Fund relating to the total of deferred premiums/discounts:		
Net write down	154	153
Balance at 31st March	**-4,112**	**-3,959**

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 Authority 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.

This balance represents the payments made under the local authority mortgage scheme (£1.0 million) and monies invested in Funding Circle (£0.1 million). As these monies are invested for capital purposes, when repaid they will be used for further capital investment in line with accounting standards.

	2016/17 £'000	**2017/18** **£'000**
Balance at 1st April	2,300	2,300
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	-	-1,200
Balance at 31st March	2,300	**1,100**

14. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

a) Adjust net surplus or deficit on the provision of services for non cash movements as follows:

	2016/17 £'000	**2017/18 £'000**
Depreciation & Impairment	-46,063	-89,005
Amortisation	-183	-166
Increase/Decrease in Creditors	2,398	-9,179
Increase/Decrease in Debtors	-1,507	2,363
Increase/Decrease in Inventories	-723	-132
Movement in Pension Liability	-13,203	-24,719
Contributions to/(from) Provisions	-2,485	1,045
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-11,006	-24,673
Total	**-72,772**	**-144,466**

b) Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities:

	2016/17 £'000	**2017/18 £'000**
Capital Grants credited to surplus or deficit on the provision of services	65,938	76,280
Premiums or discounts on the repayment of financial liabilities	-154	-154
Proceeds from the sale of property plant and equipment, investment	17,697	11,575
Net cash flows from operating activities	**83,481**	**87,701**

The cash flows for operating activities include the following items:

	2016/17 £'000	**2017/18 £'000**
Interest received	-3,082	-3,609
Interest paid	18,050	17,442
Total	**14,968**	**13,833**

15. Cash Flow Statement – Investing Activities

	2016/17 £'000	**2017/18 £'000**
Purchase of property, plant and equipment, investment property and intangible assets	73,053	83,970
Purchase of short-term and long-term investments	789,913	722,668
Other Payments for Investing activities	15,757	-
Proceeds from the sale of property, plant and equipment, investment	-17,697	-12,775
Proceeds from short-term and long-term investments	-765,582	-758,382
Other receipts from investing activities	-65,455	-65,172
Net cash flows from investing activities	**29,989**	**-29,691**

16. Cash Flow Statement – Financing Activities

	2016/17 £'000	**2017/18 £'000**
Cash receipts of short and long term borrowing	-20,000	-30,000
Repayments of short-term and long-term borrowing	14,863	48,336
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	551	566
Net cash flows from financing activities	**-4,586**	**18,902**

17. Movement in Net Debt

	2016/17 £'000	**2017/18 £'000**	**Movements in year £'000**
Movement In Cash Balances:			
Imprest Accounts	120	117	-3
Cash At Bank	23,568	36,368	12,800
Cash Equivalents investments	69,887	72,013	2,126
Net Cash	**93,575**	**108,498**	**14,923**
Financing & Liquid Resources	209,977	188,458	-21,519
Net Debt	**303,552**	**296,956**	**-6,596**

Note 18. Expenditure and Income Analysed by Nature

	2016/17	2017/18
	£'000	£'000
Fees, Charges & Other service Income	-100,512	-114,668
Interest and Investment income	-3,753	-3,956
Income from Council Tax	-250,140	-264,748
Government Grants and Contributions	-455,598	-451,188
Capital Grants and Contributions	-65,938	-76,214
Fire Pensions Top Up Grant	-4,076	-5,392
Gain on disposal of fixed Assets	-6,690	-
Total Income	-886,707	**-916,166**
Employee Expenses	317,382	337,133
Other Service Expenses	472,206	489,842
Depreciation, Amortisation and Impairment	46,243	89,999
Revenue expenditure funded from capital under statute	14,006	21,947
Interest Payments	17,342	16,778
Loss on the disposal of fixed assets	-	13,098
Total Operating Expenses	867,179	**968,797**
Surplus or Deficit on the Provision of Services	-19,528	52,631

19. Pooled Budgets & Partnership Working

The Council has entered into partnership with Gloucestershire Clinical Commissioning Group under Section 75 of the NHS Act 2006. This legislation allows health bodies and health-related council services to work together more effectively in the provision of services designed to meet the needs of users without concern for the boundaries of their organisations. The partnership agreement comprises an overarching agreement, together with specific sections covering the following service areas;

Provision of Mental Health Services (Integrated Budget)

A partnership agreement with Gloucestershire Clinical Commissioning Group is in place to jointly commission mental health services. In 2017/18 the Council's share of the gross expenditure of the partnership was £6.9 million (£7.1 million in 2016/17), gross income was nil (nil in 2016/17) and therefore the Council's net contribution was £6.9 million (£7.1 million in 2016/17).

Provision of Social Care Occupational Therapy (Integrated Budget)

A partnership agreement, with Gloucestershire Clinical Commissioning Group, to commission occupational therapy services. In 2017/18 the gross expenditure of the partnership was £4.0 million (£3.9 million in 2016/17), gross income was nil (nil in 2016/17) and the Council's contribution was £3.0 million (£3.0 million in 2016/17).

Provision of a Community Equipment Service (Pooled Budget)

A partnership agreement, with Gloucestershire Clinical Commissioning Group, to commission Community Equipment Services. A requirement of the Pool agreement is that income and expenditure must be charged to each partner in proportion to their financial contribution to the service.

In 2017/18 the gross expenditure of the partnership was £8.1 million (£7.7 million in 2016/17), gross external income was £1.0 million (£1.2 million in 2016/17), and the Council's contribution was £1.7 million (£1.6 million in 2016/17) A further £1.7 million was made available to the partnership from the Disabled Facilities Grant.

Fastershire

Fastershire is a partnership between Herefordshire Council and Gloucestershire County Council which formed in 2012. The Council has jointly worked on the Fastershire Broadband Strategy 2014-2018 approved by Cabinet in September 2014. Herefordshire Council acts as the lead authority for this partnership, and the Council provides additional revenue funding for the programme management and project team support. The Partnership covers a range of funding streams as summarised below:

<u>Borders Broadband £15.570 million</u>

Fastershire partnership entered in to a Borders Broadband Contract with BT to build a future proof world class broadband network for the two counties. The project is being funded by Herefordshire Council, Gloucestershire County Council, Broadband Delivery UK (BDUK), a government agency and BT.

The Council approved a commitment of £7.5 million to the project, which is reflected in the Council's approved capital programme for 2014/15 and 2015/16. This was match funding to enable the Authorities to drawn down the central government contribution via BDUK, which was £18.17million for both Counties.

The contract with BT has now come to an end and the final expenditure was £12.3 million relating to Gloucestershire of which £8.1 million has been funded from government grant, and £4.2 million funded from the Council's Reserves. The BDUK government grant required a minimum match funding from GCC of £7.5 million therefore we have £3.3 million of funding which must be spent on Broadband investment and remains a part of the Council's Economic Stimulus Reserve. Therefore a Gloucestershire program will be identified and rolled out as part of the overall Broadband strategy going forward.

Superfast Extension Programme (SEP) £9.66 million

The Fastershire partnership was awarded £10.98 million with the County Council receiving £5.46 million from BDUK (SEP) and match funding of £4.2 million was approved by Cabinet on 17th September 2014. To date four contracts affecting Gloucestershire have been signed with Gigaclear and one with BT. The GCC funding contribution liability for each contract is as follows

Contract	Provider	Gloucestershire County Council Contribution
		£'000
Stage 3.1	Gigaclear	1,500
Stage 3.2/3.3c	Gigaclear	2,549
Stage 3.3a	BT	346
Stage 3.3d	Gigaclear	936
Stage 3.3e	Gigaclear	619
Total Contractual liability funded by Gloucestershire County Council match funding		**5,950**
Superfast Extension Council Funding		- 4,200
South West Ultrafast Council Funding		- 1,750
Total GCC Match funding		**-5,950**

The spend to date on the above contracts is £2.868 million of which £1.368 million has been funded by BDUK Grant and £1.500 million of Council funding.

South West Ultrafast £4.00 million

The County Council has been awarded a £2.00 million grant from the BDUK South West Ultrafast Broadband and £2.00 million has been matched funded by the County Council fund, approved by Cabinet on 12th December 2015, which will be administered through the Fastershire partnership. To date £1.749 million of this funding has been contractually committed as part of stage 3.2/3.3c contract mentioned above but no expenditure has been incurred during 2017/18.

Gloucestershire Joint Waste Partnership

On 1st April 2013, the Council entered into an Inter-Authority Agreement with Cheltenham Borough Council, Cotswold District Council and Forest of Dean District Council to form the Gloucestershire Joint Waste Partnership for the purpose of joint waste management in the county. Tewkesbury Borough Council joined the partnership on 15th December 2014. This partnership reports to the Gloucestershire Joint Waste Committee, hosted by the Council, with equal representation from member authorities. The Council acts as the accountable body for the partnership. The gross expenditure in 2017/18 of the partnership was £0.491 million, with the council’s contribution to this being £0.188 million.

The Better Care Fund

The Better Care Fund (BCF) first came into operation on 1 April 2015. To administer the fund, Clinical Commissioning Groups (CCGs) were required to establish joint arrangements with local authorities to operate a pooled budget for the joint delivery of more integrated health and social care.

In 2017/18 the total funding covered within the BCF was £42.4 million (£41.3 million in 2016/17), of which £20.6 million was allocated to the Council as Lead Commissioner (£19.8 million in 2016/17), The CCG was allocated £21.8 million as Lead Commissioner (£21.5 million in 2016/17).

Shared Audit Services

The ARA shared service is an audit risk & assurance shared service hosted by Gloucestershire County Council under a section 101 agreement, with Stroud District Council and Gloucester City Council as partners. Governance arrangements are completed through a Shared Service Board. All expenditure and income is within the Council's accounts, with the two partners being charged an annual fee based on agreed service provision. In 2017/18 the net spend totalled £0.526 million.

Ubico Ltd

Ubico Ltd. was originally formed in 2012 as a company wholly owned by its shareholders, Cheltenham Borough Council and Cotswold District Council. The company is responsible for delivering the shareholders' environmental services within their respective council boundaries. The Forest of Dean District Council, Tewkesbury Borough Council and West Oxfordshire District Council joined the partnership on 1st April 2015. Stroud District Council joined in January 2016 and Gloucestershire County Council joined in August 2016. Each of the seven authorities are now equal shareholders.

The Council procured supplies and services totalling net expenditure of £1.963 million from Ubico Ltd during 2017/18, £0.227 million of which is included in the council's balance sheet: £0.240 million as a short term creditor and £0.013 million as a short term debtor at year end. Sites, plant and equipment and other infrastructure are provided by the council and are included within the Councils asset register. Vehicles used for haulage are provided by Ubico Ltd under the terms of the contract.

Note 25 provides more information on related party transactions and arrangements for the Council.

20. Officer's Remuneration

The Council is required to list all post holders who earn between £50,000 and £150,000 for all or part of a year and who also fit the following criteria:

- They report directly to the Chief Executive, or;
- They are part of the Council's Senior Management Team, or;
- They hold posts required by statute.

The senior employees who received remuneration in excess of £50,000 for 2016/17 and 2017/18 are as follows:

2016/17

	Salary, Fees and Allowances £	Compensation for loss of Office £	Other Taxable Benefits £	Employer's Pension Contributions £	Total £
Chief Executive Mr P Bungard (1)	131,036	-	-	-	**131,036**
Chief Fire Officer & Operations Director	121,347	-	242	26,332	**147,921**
Director: Strategic Finance	121,347	-	-	18,930	**140,277**
Director: Strategy & Challenge & Monitoring Officer	98,777	-	-	15,409	**114,186**
Commissioning Director: Adults	121,347	-	-	18,930	**140,277**
Commissioning Director: Children & Families	121,347	-	-	18,930	**140,277**
Commissioning Director: Communities & Infrastructure	116,831	-	-	18,225	**135,056**
Operations Director: Childrens Safeguarding & Care	98,777	-	-	15,409	**114,186**
Operations Lead: Adult Social Care & Business Development	95,617	-	-	14,916	**110,533**
Director of Public Health	95,617	-	-	13,673	**109,290**
Commissioning Director (2)	65,489	-	311	13,927	**79,727**
	1,187,532	**-**	**553**	**174,681**	**1,362,766**

(1) The Chief Executive works 29.6 hours per week. The whole time equivalent salary for 2016/17 is £163,795.

(2) The Commissioning Director is an employee of Gloucester City Council and Gloucestershire County Council is liable for half of the costs associated with this role.

2017/18

	Salary, Fees and Allowances £	Compensation for loss of Office £	Other Taxable Benefits £	Employer's Pension Contributions £	Total £
Chief Executive Mr P Bungard **(1)**	132,339	-	-	-	**132,339**
Commissioning Director **(2)**	66,092	-	-	14,077	**80,169**
Chief Fire Officer & Operations Director	122,562	-	285	26,596	**149,443**
Commissioning Director: Communities & Infrastructure	117,999	-	-	21,712	**139,711**
Commissioning Director: Adults	122,562	-	-	22,551	**145,113**
Operations Lead: Adult Social Care & Business Development	99,765	-	-	18,357	**118,122**
Director of Integration **(3)**	50,542		320	7,263	**58,125**
Director of Public Health	106,601	-	-	15,329	**121,930**
Commissioning Director: Children & Families **(4)**	51,068	-	-	9,396	**60,464**
Director: Children's Services **(5)**	24,615	-	-	-	**24,615**
Interim Director: Children's Services **(6)**	148,500		5,813	27,540	**181,853**
Operations Director: Childrens Safeguarding & Care **(7)**	10,996	47,201	-	2,023	**60,220**
Director: Strategic Finance	122,562	-	-	22,551	**145,113**
Director: Strategy & Challenge & Monitoring Officer	99,841	-	-	18,357	**118,198**
	1,225,502	**47,201**	**6,098**	**198,490**	**1,477,289**

(1) The Chief Executive works 29.6 hours per week. The whole time equivalent salary for 2017/18 is £165,424.

(2) The Commissioning Director is an employee of Gloucester City Council and Gloucestershire County Council is liable for half of the costs associated with this role.

(3) The Director of Integration is an employee of Gloucestershire Clinical Group and Gloucestershire County Council is liable for half of the costs associated with this role.

(4) The Commissioning Director: Children and Families retired on 31 August 2017. The post was reconfigured and replaced with a post of Director: Children's Services, which is shown separately.

(5) The Director: Children's Services started in this post on 6 March 2018 and works 29.6 hours per week. The annualised salary for 2017/18 is £137,562.

(6) The interim Director: Children's Services post was held from 4 May 2017 to 31 March 2018 by a member of staff employed through a secondment from Prospect Services and payments totalled £181,853.

(7) The Operations Director: Childrens Safeguarding & Care left the authority on 10 May 2017. The post was vacant for the remainder of the financial year but was covered on a temporary basis through consultancy services from Penna PLC between 24th April 2017 to 28th February 2018 at a cost of £156,583.

The numbers within the bandings include the total remuneration (excluding employer's pension contributions) of the senior officers disclosed individually in the previous tables.

Salaries for teachers in Academy, Foundation and Voluntary Aided schools have not been included.

Under regulations, the Council is required to show the number of employees whose remuneration exceeded £50,000 (excluding employer's pension contributions) and this is shown in the table below.

The table reflects the total remuneration, including compensation for loss of office (redundancy), received by employees as at 31st March 2018, not just an employee's gross salary.

Remuneration band	**Total Number of Employees**			
	2016/17		**2017/18**	
	Schools	Non-Schools	**Schools**	**Non-Schools**
£50,000 - £54,999	60	35	**56**	**38**
£55,000 - £59,999	47	37	**48**	**36**
£60,000 - £64,999	28	11	**33**	**19**
£65,000 - £69,999	8	12	**13**	**9**
£70,000 - £74,999	4	6	**2**	**6**
£75,000 - £79,999	3	7	**4**	**5**
£80,000 - £84,999	4	1	**2**	-
£85,000 - £89,999	2	1	**3**	**2**
£90,000 - £94,999	1	-	**1**	-
£95,000 - £99,999	-	5	-	**5**
£100,000 - £104,999	-	1	-	**1**
£105,000 - £109,999	-	-	-	**1**
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	-	1	-	**1**
£120,000 - £124,999	-	4	-	**3**
£125,000 - £129,999	-	-	-	-
£130,000 - £134,999	-	1	-	**1**
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£150,000 - £154,999	-	-	-	-
£155,000 - £159,999	-	-	-	-
£160,000 - £164,999	-	-	-	-
£165,000 - £169,999	-	-	-	-
£170,000 - £174,999	-	-	-	-
£175,000 - £179,999	-	-	-	-
£180,000 - £184,999	-	-	-	-
£185,000 - £189,999	-	-	-	-
£190,000 - £194,999	-	-	-	-
£195,000 - £199,999	-	-	-	-
£200,000 - £204,999	-	-	-	-
£205,000 - £209,999	-	-	-	-
£210,000 - £214,999	-	-	-	-
£215,000 - £219,999	-	-	-	-
£220,000 - £224,999	-	-	-	-
£225,000 - £229,999	-	-	-	-
£230,000 - £234,999	-	-	-	-
£235,000 - £239,999	-	-	-	-
£240,000 - £244,999	-	-	-	-
£245,000 - £249,999	-	-	-	-
Total	157	122	**162**	**127**

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below:

2016/17

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £
£0 - £20,000	20	47	67	415,796
£20,001 - £40,000	6	4	10	321,516
£40,001 - £60,000	2	5	7	351,956
£60,001 - £80,000	1	-	1	62,520
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	-	-	-
Accruals/Provision				1,293,591
Total	**29**	**56**	**85**	**2,445,379**

2017/18

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £
£0 - £20,000	34	21	55	**366,976**
£20,001 - £40,000	2	3	5	**160,176**
£40,001 - £60,000	-	3	3	**151,639**
£60,001 - £80,000	-	1	1	**68,760**
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	1	1	**120,074**
£150,001 - £200,000	-	-	-	-
Accruals/Provision				**666,290**
Total	**36**	**29**	**65**	**1,533,915**

The total cost of £1,533,915 in the table above includes £666,290 for exit packages that have been agreed, accrued for and charged to the Council’s Comprehensive Income and Expenditure Statement in the current year.

These costs are not included in the bands and therefore an additional line has been added to reconcile to the total cost of termination benefits reported in the Comprehensive Income and Expenditure Statement.

21. Members' Allowances

The Council is required to report the total allowances paid during the year to Council Members. Full details of the allowances paid to each individual councillor are published on the Council's website: www.gloucestershire.gov.uk and can be found through the following link:-
Allowances and expenses paid to Members of the Council - Gloucestershire County Council

	2016/17	**2017/18**
	£'000	**£'000**
Basic Allowances	521	529
Special Responsibility Allowances	261	250
Travel & Subsistence Allowances	30	30
Total	812	**809**

22. External Audit Costs

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

	2016/17 £'000	**2017/18 £'000**
Fees payable with regard to external audit services carried out by the appointed auditor for the year	98	98
Additional fees associated with external audit services	-	9
Fees payable for the certification of grant claims and returns for the year	4	8
Fees payable in respect of other services provided during the year	38	10
Total	140	**125**

23. Deployment of Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education via the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2017/18 are as follows:

	Central Expenditure £'000	**Individual Schools Budget £'000**	**Total £'000**
Final DSG for 2017/18 before academy recoupment			**426,932**
Academy figure recouped for 2017/18			**-175,585**
Total DSG after academy recoupment for 2017/18			**251,347**
Plus: Brought forward from 2016/17			**4,542**
Less: Carry forward to 2017/18 agreed in advance			-
Agreed initial budgeted distribution in 2017/18	**69,037**	**186,852**	**255,889**
In Year Adjustments	-352	-	-352
Final budget distribution for 2017/18	**68,685**	**186,852**	**255,537**
Less: Actual central expenditure	65,446	-	65,446
Less: Actual ISB deployed to schools	-	186,852	186,852
Plus: Local Authority contribution for 2017/18	-	-	-
Carry Forward to 2018/19	3,239	-	**3,239**

24. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

Credited to Taxation and Non Specific Grant Income

	2016/17 £'000	**2017/18 £'000**
Revenue Support Grant	-49,905	-31,211
National Non Domestic Rates Grant	-68,835	-72,936
Non Service Related Grants	-25,445	-12,446
Fire Pensions Top Up Grant	-4,076	-5,392
Total	-148,261	**-121,985**

Revenue Grants Credited to Services

	2016/17 £'000	**2017/18 £'000**
Department for Work & Pensions - Workstep Grant	-	-2
Department for Children's Schools & Families Grants	-22,625	-24,303
Department for Education Grants	-246,096	-251,025
Department of Health Grants	-25,888	-25,443
Community & Local Government Grants	-6,298	-23,750
Youth Justice Board Grant	-284	-522
Young Peoples Learning Agency Grants	-1,985	-2,190
Other Grants	-5,794	-4,935
Skills Funding Agency	-2,404	-2,387
Department for Environment, Food & Rural Affairs	-37	-38
Total	-311,411	**-334,595**

	2016/17 £'000	**2017/18 £'000**
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Account	-65,938	-76,214

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 may require the monies or property to be returned to the awarding body. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	2016/17 £'000	**2017/18 £'000**
Department for Transport Grants	-757	-1,885
Ministry of Housing, Communities and Local Government Grants	-12,335	-8,809
Non Government Contributions for Capital purposes	-15,131	-12,133
Highways Section 106 Contributions	-12,052	-12,569
Accountable body	-16,896	-9,539
Total	-57,171	**-44,935**

25. Related Parties

The Council is required to disclose material transactions with related parties, that is 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. Note 19 also provides more information on the Council's partnership working with other organisations including Gloucestershire Clinical Commissioning Group and Herefordshire Council.

Central Government

Central Government has effective control 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. Grants received from Government departments together with Grant receipts outstanding at 31st March 2018 are shown in Note 24.

In accordance with specific grant conditions, the Council confirms that it received a Big Lottery Fund and ESF Building Better Opportunities Grant totalling £487,834 in 2016/17. Total expenditure incurred against this grant totalled £275,139 in 2016/17 and £103,187 in 2017/18. The balance of £109,507 is included within the revenue grants receipts in advance section on the balance sheet. It is anticipated that these funds will be fully expended during 2018/19.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 21. Details of all member interests are recorded in the Register of Members' Interest, open to public inspection at Shire Hall during office hours or on the Council website.

Other Public Bodies (subject to common control by Central Government)

The Gloucestershire Local Government Pension Scheme is a related party of Gloucestershire County Council due to the Council being the administering body of the scheme and by virtue of the Pension Committee including 6 Council Members out of the 8 Committee members. The Committee is supported by Council staff who may be subject to influence from Council Members. From the 2010/11 financial year the Pension Fund's "in-house" surplus cash balances have been held in the Pensions Fund's own bank account and in an instant access call account. The Council administers the Pension Fund's named accounts within its Treasury Management department. A total average balance of £11.4 million (£8.8 million in 2016/17) was held in the Pension Fund accounts for 2017/18 gaining interest of £0.025 million. (£0.034 million in 2016/17). The Council charged £1.74 million (£1.97 million in 2016/17) for administering the Pension Fund.

There is a contractual arrangement between the Council and Gloucestershire Care Partnership Limited (GCP) for the provision of places in care homes for older people, which involves sub-contracting it's obligations to Order of St John Care Trust (OSJ) and Bedford Pilgrims Housing Association (BPHA).

The Council is entitled to appoint one independent trustee to the Board of GCP and under the Articles of Association the Council must always have less than 20% of the voting rights.

Current provision under the arrangement is managed under a commercial contract. Future development of care facilities is managed by an Estates Committee, comprising an equal number of representatives from each party.

In 2017/18 payments of £16.4 million (£14.3 million in 2016/17) were made to the Order of St John Care Trust in relation to this contract. £3.5 million was outstanding at the year end (2016/17 £2.5 million).

26. 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 PFI/PPP 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.

	2016/17 £'000	2017/18 £'000
Opening Capital Financing Requirement	317,593	308,842
Property, Plant and Equipment	70,643	73,928
Revenue Expenditure Funded from Capital under Statute	14,006	21,947
Total to Finance	84,649	95,875
Sources of finance		
Capital Receipts	-6,701	-12,940
Capital Fund & other Earmarked Reserves	-7,863	-10,634
Government Grants and other Contributions	-64,072	-69,172
Direct Revenue Contributions	-6,013	-3,129
	-84,649	-95,875
MRP	-8,751	-6,766
Total revenue provision	-8,751	-6,766
Closing Capital Financing Requirement	**308,842**	**302,076**

Explanation of movements in year

Increase/decrease (-) in underlying need to borrowing	-8,751	-6,766
Increase/Decrease (-) in Capital Financing Requirement	**-8,751**	**-6,766**

Capital Expenditure 2017/18

	£'000	%
Adults	5,898	6.2
Children & Families	26,938	28.1
Communities & Infrastructure		
Highways	37386	39.0
Strategic Infrastructure	3,564	3.7
Waste Disposal	285	0.3
Libraries	367	0.4
Community Safety	1,031	1.1
Business Support		
AMPS	15,850	16.5
ICT Projects	2,475	2.6
Archives & Information Mgt	1,731	1.8
Customer	41	0.0
Capital Receipts Expenditure	309	0.3
	95,875	**100.0**

27. Leases

The Council accounts for leases in accordance with its Statement of Accounting Policies

Council as Lessee

Finance Leases

Other than those schemes undertaken through the Private Finance Initiative as reported in Note 28, there were no further finance leases identified by the Council during 2017/18.

Operating Leases

The Council has entered into operating leases to acquire the use of both property and vehicles. The future commitments due under non-cancellable leases in future years are:

	Expiry date of lease		
	Within 1 year	**After 1 year but less than 5 years**	**After more than 5 years**
	£'000	**£'000**	**£'000**
2016/17			
Property	168	396	634
Vehicles	399	250	-
	567	646	634
2017/18			
Property	547	689	1,372
Vehicles	255	202	-
	802	**891**	**1,372**

The expenditure charged to Services in the Comprehensive Income and Expenditure Statement during the year in relation to the minimum payments for these leases was:

	2016/17	**2017/18**
	£'000	**£'000**
Property	227	555
Vehicles	253	267
	480	**822**

Council as Lessor

Finance Leases (IAS 17)

The Council has looked at all leases (including those that terminated at 31st March 2018) where it is the lessor (landlord), to establish the correct classification under IFRS.

There were no finance leases identified to be included on the balance sheet.

Operating Leases

The Council leases out property under operating leases for purposes that include the provision of community services, care homes for older people and county farms for new starters in agriculture.

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

	Expiry date of lease		
	Within 1 year	**After 1 year but less than 5 years**	**After more than 5 years**
	£'000	**£'000**	**£'000**
2016/17			
Property	230	211	344
Total	**230**	**211**	**344**
2017/18			
Property	593	386	551
Total	**593**	**386**	**551**

The income relating to the minimum lease payments credited to Services in the Comprehensive Income and Expenditure Statement during the year was:

	2016/17	**2017/18**
	£'000	**£'000**
Property	1,193	1,368
	1,193	**1,368**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

28. Private Finance Initiatives and Similar Contracts

Fire Service Joint Training Centre PFI Scheme

2017/18 was the fifteenth year of a twenty-five year PFI contract for the design, build, financing and operation of a Joint Training facility in Avonmouth. The scheme is a joint PFI venture with Avon Fire Authority and Devon & Somerset Fire Authority whereby a significant proportion of the training required by the three services is provided at this facility.

Property, Plant and Equipment

The Council's share of the assets used to provide services at the Joint Training Centre are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 3.

Payments

The Council makes an agreed payment each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31st March 2018 (excluding any estimation of inflation and availability/performance deductions) are as follows:

2016/17 £'000		Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
704	**Paid in 2017/18**	**524**	**75**	**122**	**721**
	Outstanding undischarged contract obligations:				
721	Payable within one year	534	90	115	739
3,068	Payable within two to five years	2,349	419	376	3,144
4,282	Payable within six to ten years	3,376	791	221	4,388
921	Payable within eleven to fifteen years *	-	-	-	-
8,992	**Total**	**6,259**	**1,300**	**712**	**8,271**

* There are ten years remaining.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2016/17 £'000	2017/18 £'000
Balance outstanding at start of year	1,444	1,375
Payments during the year	-69	-75
Balance outstanding at year-end	**1,375**	**1,300**

The asset value held as at the 31st March each year were:

	2016/17 £'000	**2017/18 £'000**
Opening Net Book Value	1,007	1,045
Depreciation	-102	-109
Additions	7	7
Revaluations	133	117
Balance	1,045	**1,060**

Fire Service Stations PFI Scheme

The building of four new Community Fire Stations, as well as a Life Skills Centre (SkillZONE) in Gloucestershire took place during 2011/12 and 2012/13. The PFI scheme runs for twenty-five and a quarter years to June 2037 and the fire stations become the property of the Fire & Rescue Service at the end of the contract agreement. Each station includes community facilities that can be hired by local groups and organisations. The SkillZONE centre in Gloucester will be an educational facility aimed at teaching key safety messages to different parts of the community.

Property, Plant and Equipment

The Council's assets used to provide services at the Fire Stations and Life Skills Centre are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 3.

Payments

The Council makes an agreed payment each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31st March 2018 (including an estimation of inflation and excluding estimations of availability/performance deductions) are as follows:

2016/17 £'000		Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
3,456	**Paid in 2017/18**	**1,364**	**491**	**1,688**	**3,543**
	Outstanding undischarged contract obligations:				
3,543	Payable within one year	1,389	598	1,644	3,631
15,079	Payable within two to five years	6,930	2,478	6,048	15,456
21,069	Payable within six to ten years	11,876	3,478	6,242	21,596
23,837	Payable within eleven to fifteen years	15,071	4,821	4,542	24,434
26,969	Payable within sixteen to twenty years	14,367	7,151	1,772	23,290
1,452	Payable within twenty-one to twenty-five years	-	-	-	-
91,949	**Total**	**49,633**	**18,526**	**20,248**	**88,407**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2016/17 £'000	**2017/18** **£'000**
Balance outstanding at start of year	19,499	19,017
Payments during the year	-482	-491
Balance outstanding at year-end	19,017	**18,526**

The asset value held as at the 31st March each year were:

	2016/17 £'000	**2017/18** **£'000**
Opening Net Book Value	21,481	23,647
Depreciation	-1,166	-1,168
Additions	42	76
Revaluation	3,290	-
Closing Balance	23,647	**22,555**

Arrangements that contain a lease

The Council have examined arrangements that could contain a lease. This is where "a transaction does not take the legal form of a lease but conveys the right to use an asset in return for payment". None were identified.

Service Concessions

A service concession arrangement involves the grantor conveying to the operator for the period of the concession the right to provide services that give the public access to major economic and social facilities. They are arrangements whereby a public body grants contracts for the supply of public services, such as roads, to private operators. In practice, service concessions typically last for twenty five to thirty years or more and have complicated fact patterns.

In September 2012 a contract for the treatment of residual waste was awarded to Urbaser Balfour Beatty (UBB) to design, build, finance and operate an energy from waste (EfW) facility on behalf of the Council located at Javelin Park, near Gloucester. Following planning delays, the contract finally received permission in July 2015, and in January 2016 the existing contract with UBB was revised to take account of an updated project plan.

The facility will take approximately three years to build and it is forecast to become operational in 2019 when it will be recognised on the Council's Balance Sheet. The contract period is for 25 years starting from the operational date in 2019 with the option to extend by 5 years.

The contract includes an obligation to the Council to make contributions totalling £38m in the four years before the asset becomes operational, which will reduce the revenue fee paid over the life of the contract as shown below:

	£m
2015/16	8.9
2016/17	16.1
2017/18	0.0
2018/19	13.0

These contributions will be treated as prepayments until the asset is brought onto the balance sheet in 2019/20. The funding for the above contributions will build up on the Strategic Waste Reserve until 2019/20 when they will be netted off from the liability of the asset.

Under the contract the authority is required to ensure that all waste for disposal from the district councils within Gloucestershire is delivered to the contractor, who will take on the responsibility for recycling or recovering energy from the waste stream.

29. Impairment Losses - Capital

Adjustment for impairment has not been considered necessary in respect of decline in value due to obsolescence or physical damage, nor due to a commitment by the council to undertake a significant reorganisation nor due to a significant adverse change in the statutory or other regulatory environment in which the Council operates.

30. Termination Benefits

The Council terminated the contracts of a number of employees in 2017/18, incurring liabilities of £1.4 million (£2.5 million in 2016/17). Note 20 provides details of the number of exit packages and total cost per band.

31. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi employer defined benefit scheme. The Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017/18, the Council paid £14.79 million to the Teachers' Pensions Agency (TPA) in respect of teachers' retirement benefits, at 16.48%,of pensionable pay. The figures for 2016/17 were £14.97 million at 16.48% of pensionable pay. There were no contributions remaining payable at year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis, and fully accrued in the pensions liability. Detail can be found in Note 32.

Under the new arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the PCTs to local authorities and who had access to the NHS Pension Scheme on 31 March 2013 retained access to that Scheme on transfer at 1 April 2013

The NHS pension scheme is an unfunded, defined benefit scheme and it is a multi-employer defined benefit scheme. In the NHS, the scheme is accounted for as if it were a defined contribution scheme. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

32. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in several post employment schemes:

- The Local Government Pension Scheme, administered locally by Gloucestershire County Council – this is a funded defined benefit Career Average Revalued Earnings scheme (CARE) , meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

- The Council also participates in the unfunded Firefighters Pension Scheme and these are disclosed separately within these accounts.

The Gloucestershire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the pensions committee.

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

In 2017/18 the Council made an up-front payment of £10 million to the Local Government Pension Scheme towards the deficit contributions relating to 2018/19 and 2019/20. This was made following actuarial advice and discounted cashflow calculations indicated that the rate of return on this investment was beneficial and represented value for money for the Council.

Transactions Relating to Post-employment Benefits

The Council 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 the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	**Local Government Pension Scheme**		**Unfunded - Firefighters' Pension Scheme**	
	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**
Cost of Services:				
Service Cost Comprising:				
Current service cost	38,778	**61,095**	4,600	**4,900**
Past service costs	448	**340**	3,200	
Losses / Gains (-) on settlements	-6,085	**-3,083**	-	-
Financing and Investment Income and Expenditure				
Net interest on the defined pension liability	14,584	**13,184**	7,100	**6,000**
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	47,725	**71,536**	14,900	**10,900**

Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**Local Government Pension Scheme**		**Unfunded - Firefighters' Pension Scheme**	
	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount charged in the net interest expense)	117,762	**18,544**	-	**-**
Actuarial gains and losses arising on changes in demographic assumptions	3,851	**-**	-1,400	**2,500**
Actuarial gains and losses arising on changes in financial assumptions	-222,251	**27,746**	-40,000	**3,900**
Other experience	23,264	**1,742**	18,700	**-12,800**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-77,374	**48,032**	-22,700	**-6,400**

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	**2017/18 £'000**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-3,803	**-30,542**	-9,400	**1,700**
	-3,803	**-30,542**	-9,400	**1,700**
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable for unfunded teachers scheme & LGPS benefits (discretionary)	39,384	**46,994**	5,500	**6,500**
Employers' contributions payable to scheme for unfunded LGPS benefits (Discretionary)	4,538	**4,123**	-	-
Total employers contributions	43,922	**51,117**	5,500	**6,500**
Firefighters pension and lump sum benefit payments			7,100	7,600

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**
Present value of the defined benefit obligation	1,522,442	**1,551,933**	232,400	**243,100**
Fair value of plan assets	-1,018,180	**-1,075,284**	-	-
Other movements in the liability (asset)	-	-	-	-
Net liability arising from defined benefit obligation	504,262	**476,649**	232,400	**243,100**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**
Opening fair value of scheme assets	868,862	**1,018,180**	-	-
Interest Income	30,390	**26,602**	-	-
Remeasurement Gain / Loss (-):				
The return on plan assets, excluding the amount included in the net interest expense	117,762	**18,544**	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	43,922	**51,117**	5,700	**6,600**
Contributions from employees into the scheme	7,795	**7,788**	1,200	**1,000**
Benefits paid	-42,155	**-40,642**	-6,900	**-7,600**
Benefits paid for unfunded LGPS benefits (Discretionary)	-4,538	**-4,123**	-	-
Assets distributed on settlement	-3,858	**-2,182**	-	-
Closing fair value of scheme assets	1,018,180	**1,075,284**	-	-

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Firefighters' Pension Scheme	
	2016/17 £'000	**2017/18 £'000**	2016/17 £'000	**2017/18 £'000**
Opening balance at 1st April	-1,291,947	**-1,522,442**	-200,300	**-232,400**
Current service cost	-38,778	**-61,095**	-8,000	**-4,900**
Interest cost	-44,974	**-39,786**	-7,100	**-6,000**
Contributions from scheme participants	-7,795	**-7,788**	-4,200	**-1,000**
Remeasurement Losses / Gains (-):				
Actuarial gains/losses arising from changes in demographic assumptions	3,851	-	1,400	**2,500**
Actuarial gains/losses arising from changes in financial assumptions	-222,251	**27,746**	-40,000	**3,900**
Other experience	23,264	**1,742**	18,700	**-12,800**
Past service costs (Including curtailments)	-448	**-340**	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	42,155	**40,642**	7,100	**7,600**
Benefits paid for unfunded teachers scheme & LGPS benefits (Discretionary)	4,538	**4,123**	-	-
Liabilities extinguished on settlements, where relevant	9,943	**5,265**	-	-
Closing balance at 31st March	-1,522,442	**-1,551,933**	-232,400	**-243,100**

Local Government Pension Scheme assets comprised:

	2016/17			**2017/18**		
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	TOTAL £'000	**Quoted prices in active markets £'000**	**Quoted prices not in active markets £'000**	**TOTAL £'000**
Cash and cash equivalents	14,706	-	**14,706**	15,531	-	**15,531**
Equity Instruments:						
	-					
By Industry Type (a)						
Consumer	49,391	-	**49,391**	52,161	-	**52,161**
Manufacturing	26,478	-	**26,478**	27,963	-	**27,963**
Energy and utilities	19,372	-	**19,372**	20,459	-	**20,459**
Financial institutions	40,919	-	**40,919**	43,214	-	**43,214**
Health and care	16,371	-	**16,371**	17,289	-	**17,289**
Information Technology	2,528	-	**2,528**	2,670	-	**2,670**
Other	30,864	-	**30,864**	32,595	-	**32,595**
Sub-total equity (a)	185,923	-	**185,923**	196,351	-	**196,351**
Bonds by Sector:						
Corporate (investment grade)	47,767	-	**47,767**	50,446	-	**50,446**
Corporate (non-investment grade)	3,673	-	**3,673**	3,879	-	**3,879**
UK Government	73,746	-	**73,746**	77,882	-	**77,882**
Other	11,194	-	**11,194**	11,822	-	**11,822**
Sub-total bonds	136,380	-	**136,380**	144,029	-	**144,029**
Real Estate:						
UK Property	49,616	15,916	**65,532**	52,399	16,809	**69,208**
Overseas Property	-	5,525	**5,525**		5,835	**5,835**
Sub-total real estate	49,616	21,441	**71,057**	52,399	22,644	**75,043**
Private equity:						
All	-	2,588	**2,588**	-	2,733	**2,733**
Investment Funds and Unit Trusts:						
Equities	40,439	459,639	**500,078**	42,707	485,418	**528,125**
Bonds	61,569	5,714	**67,283**	65,022	6,034	**71,056**
Other	-	39,383	**39,383**		41,592	**41,592**
Sub-total investments funds and Unit Trusts	102,008	504,736	**606,744**	107,729	533,044	**640,773**
Derivatives:						
Forward foreign exchange contracts	571	-	**571**	603	-	**603**
Other	211	-	**211**	223	-	**223**
Sub-total derivatives	782	-	**782**	826	-	**826**
TOTAL ASSETS	489,415	528,765	1,018,180	516,865	558,421	**1,075,286**

	Fair Value of Scheme	
	2016/17 £'000	**2017/18 £'000**
Equity Instruments by Company size:-:		
FTSE 100	123,397	130,318
FTSE 250	59,161	62,479
Pooled UK Smaller Companies	3,365	3,554
Sub-total equity instruments	185,923	**196,351**

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 Firefighters' Pension Schemes 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 1st April 2018. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		**Unfunded liabilities: Firefighters' Pension Schemes**	
	2016/17	**2017/18**	2016/17	**2017/18**
Mortality assumptions:				
Longevity (yrs) at 65 (60 for Fire) for current pensioners:				
Men	22.4	**22.4**	30.2	**28.6**
Women	24.6	**24.6**	31.7	**31.0**
Longevity (yrs) at 65 (60 for Fire) for future pensioners: (Figures assume members aged 45 as at 31.03.13 for the LGPS and as at 31.03.14 for Fire)				
Men	24.0	**24.0**	31.6	**29.7**
Women	26.4	**26.4**	33.2	**32.2**
Rate of Inflation	3.4%	**3.4%**	3.4%	**3.4%**
Rate of increase in salaries	2.7%	**2.7%**	3.4%	**3.4%**
Rate of increase in pensions **	2.4%	**2.4%**	2.4%	**2.4%**
Rate for discounting scheme liabilities #	2.6%	**2.7%**	2.6%	**2.7%**

** Pension increases are assumed to be 1.0% p.a. less than market derived RPI.

Under IAS19 requirements the long-term expected rate of return on all asset types is the discount rate.

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 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 methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis		
Change in assumptions at 31 March 2018	Approximate Increase	Approximate monetary amount
	%	£'000
Local Government Pension Scheme - Increase to Employer Liability		
0.5% decrease in Real Discount Rate	9%	144,410
1 year increase in member life expectancy	3%	45,673
0.5% increase in the Salary Increase Rate	1%	17,037
0.5% increase in the Pension Increase Rate (CPI)	8%	125,847
Fire Fighters Pension Scheme - Increase to Employer Liability		
0.5% decrease in Real Discount Rate	9%	20,917
1 year increase in member life expectancy	3%	7,297
0.5% increase in the Salary Increase Rate	1%	1,294
0.5% increase in the Pension Increase Rate (CPI)	8%	18,591
Fire Fighters Pension Scheme - Increase to Projected Current Service Cost		
0.1% decrease in real Discount Rate	17%	761
1 year increase in member life expectancy	3%	136
0.5% increase in the Salary Increase Rate	0%	-
0.5% increase in the Pension Increase Rate (CPI)	11%	482

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as a constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be commenced on 31 March 2019. The Public Service Pensions Act 2013 provided for scheme regulations to be made within a common framework to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants in relation to service after 31st March 2014 for the Local Government Pension Scheme or service after 31st March 2015 for other main existing public service pension schemes in England and Wales.

The Council anticipates to pay £43.4m expected contributions to the LGPS scheme and £1.1m for the Fire scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members:

		Duration 2016/17	**Duration 2017/18**
LGPS	Duration as at previous formal valuation - 31.03.16	17.1	**17.1**
Fire	Duration effective as at previous formal valuation - 31.03.16	16.8	**16.8**
Fire - Injury	Duration effective as at previous formal valuation - 31.03.16	20.1	**20.1**

33. Contingent Liabilities

Contingent liabilities are disclosed by way of a note when there is a possible obligation which may require a payment or a transfer of economic benefits.

The Council has guaranteed to cover the liabilities associated with the pensions of ex-employees following the transfers of council services to external bodies. These arrangements are monitored and assessed to ensure that any provision for possible liabilities are made. Following this assessment it is not considered to be necessary to include any costs associated with these guarantees within the 2017-18 accounts.

Work by the Council has identified a contingent liability in respect of Pyke Quarry and Oak Quarry, restored landfill sites, and Fosse Cross, a closed landfill site. At the Pyke and Oak Quarry sites there are Household Recycling Centres. Should the Council vacate the sites they would have to be restored. At Fosse Cross the Council has a budget for maintenance of the site, and if this site were to be vacated restoration costs would be incurred. The work for restoration of the three sites is estimated to be £1.0 million.

34. 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 Treasury Management Strategy Statement and Investment 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

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council’s customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody’s and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instruments risk in accordance with CIPFA's Prudential Code.

The Council's day to day cash flow results in surplus funds being available for investment. These are made in accordance with the Council's Treasury Management Strategy which has been developed in accordance with the Prudential Code for Capital Finance. The principle aims are security, liquidity and yield.

Deposits are made with other local authorities, housing associations, banks, building societies and other financial institutions. The banks and financial institutions must satisfy a minimum credit rating and the Council sets limits on the amounts that can be invested in both an individual institution and also with a type of institution in total.

The Council’s maximum exposure to credit risk in relation to its investments in banks and building societies 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. A risk of irrecoverability applies to all of the Council’s deposits, but there was no evidence at the 31st March 2018 that this was likely to crystallise.

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

	Amount at 31st March 2018	**Historical experience of default**	**Historical experience adjusted for market conditions at 31st March 2018**	**Estimated maximum exposure to default and uncollectability**
	£'000	**%**	**%**	**£'000**
Deposits with Banks & Financial Institutions including Local Authorities	298,357	-	-	-
Customers	4,760	-	-	1,643
	303,117			**1,643**

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council's debtors, including any payments in advance made by the Council totalled £51.318m as at 31st March 2018, represent a customer base with the potential for risk exposure to non-recovery of the debt. However a large proportion of the total debt relates to Government bodies and other debts which are not considered to be a risk. Therefore, in practice, the calculation of the risk exposure (bad debt provision) is confined to debtor invoices raised that are then subjected to recovery procedures. At 31st March 2018 these debts totalled £4.760m.

Generally the recovery process commences when an invoice is 14 days overdue, with a reminder automatically being sent. The following provides an aged-debt analysis of our outstanding debtor invoices.

	2016/17 £'000	**2017/18 £'000**
Less than a month	4,916	-
One to three months	749	1,093
Three to six months	692	933
More than six months	4,170	2,734
	10,527	**4,760**

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 current maturity is as follows:

	2016/17 £'000	**2017/18 £'000**
Less than one year	54,467	43,896
Between one and two years	7,863	7,863
Between two and five years	30,972	30,008
Between five and ten years	21,400	29,500
Between ten and twenty years	44,000	29,000
Between twenty and thirty years	54,171	58,671
Between thirty and forty years	79,057	89,557
Between forty and fifty years	15,000	-
Finance Lease Liability	20,391	19,825
	327,321	**308,320**

All trade and other payables 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.

The Council's strategy for managing interest rate risk is based on the prevailing interest rates and market forecasts. It works within any limits imposed by its own Investment Strategy and takes advice from external advisors to achieve a high rate for investments and borrow when rates are low.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and is used to monitor the budget during the year. In addition to considering the risk associated with the financial markets it also monitors the effects of interest adjustments with other external bodies such as the Pension Fund or Health Bodies

According to this assessment strategy, at 31st March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	718
Impact on Surplus or Deficit on the Provision of Services	**718**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. There would be no further effect as the remainder of the Council's borrowing and investments are held in fixed rate products.

Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £30m. This investment is subject to fair value adjustments at year end, but any fall in commercial property prices would have no impact on the General Fund until the investment was sold.

Foreign Exchange Risk

The Council's has minimal exposure to foreign exchange rates with all conversions carried out at spot rates with minimal financial risk.

35. Trust Funds

At 31st March 2018 the Council administered 4 trust funds on behalf of the trustees. These funds do not represent assets of the Council and they have not been included in the Balance Sheet.

	Balance at 31st March 2017	Income	Expenditure	**Balance at 31st March 2018**
	£	£	£	**£**
Libraries				
2 trusts providing books for libraries	2,790	178	-175	**2,793**
Gloucestershire Heritage Trust Ltd				
Preserves and renovates specific buildings and areas which are of historic interest	6,989	15		**7,004**
Gloucestershire War Relief				
The awarding of grants relating to service in the Great War	411			**411**
Total	10,190	193	-175	**10,208**

In addition to the above Trust Funds, the Council is holding £28,325 in cash relating to Criminal Injury awards. This is also included in the creditors balance on the Balance Sheet.

36. Insurance

The Council arranges external insurance subject to the following excess levels: public / employer's / official's indemnity liability policies, £370,500.

Property Risks (Fire / lightning / explosion / earthquake / riot / civil commotion / storm / floods and escape of water damage) to all Council Properties £100,000 excess and own accident damage to GCC vehicles £20,000 excess. This effectively means that all but the very largest claims are self-insured.

The Insurance Fund is made up of annual premiums charged to services. The fund consists of a provision representing the estimated cost of known outstanding claims, with the remaining balance being held as a reserve to meet the cost of potential future claims.

37. Deferred Liabilities

The amount of £2.420 million shown on the balance sheet represents the shares of the PFI Joint Fire Training Centre project equalisation fund attributable to Avon Fire Authority and Devon & Somerset Fire Authority at 31st March 2018. (£2.494 million in 2016/17)

38. Collection Fund Adjustment Account

Within Gloucestershire, precept collection of council tax and non-domestic rates for the Council is managed by the District Councils. Regulations require the Council to account for precept collection on an accruals basis. The Council is therefore required to include its share of any collection balances within the formal Statement of Accounts.

The following statement outlines the balances held as at 31st March 2018:

	Arrears after impairment allowance for doubtful/bad debt (Debtors)	**Overpayments and prepayments (Creditors)**	**Collection Fund Surplus (-) /Deficit**	**Cash (shown as Debtor or Creditor)**
	£'000	**£'000**	**£'000**	**£'000**
Council Tax Collection	7,664	-3,958	-6,133	2,427
Non-Domestic Rates Collection	323	-2,891	2,944	-376
Total	**7,987**	**-6,849**	**-3,189**	**2,051**

39. Gain/Loss on the Disposal of Non Current Assets

The reported gain/loss reported on the Comprehensive Income and Expenditure Statement includes the loss of £18.782 million following the transfer of six schools to academy status during 2017/18. Two schools converted to Academy status in 2016/17 totalling £4.500 million.

40. Prior Period Adjustment

An adjustment for the removal of central support recharges levied in 2016-17 within the Council has now been made from the respective expenditure service lines shown within the Comprehensive Income & Expenditure Statement. Note 4 Expenditure and Funding Analysis disclosure has also been amended:-

Adjustment to the Provision of Services within the Comprehensive Income & Expenditure Statement

	Expenditure as reported in the Comprehensive Income & Expenditure Statement 2016-17 £000	Central Support Recharges Removed from Statement £000	As Restated £000
Adults	223,522	-10,685	212,837
Public Health	26,440	-294	26,146
Children & Families	422,783	-10,154	412,629
Communities & Infrastructure	128,368	-5,636	122,732
Business Support Services	36,152	-	36,152
Business Support Recharges	-24,101	24,101	-
Technical & Corporate	14,589	2,668	17,257
Cost of Services	**827,753**	**-**	**827,753**

Gloucestershire Pension Fund

Fund Account for the year ended 31st March 2018

2016/17			2017/18	Note
£'000		£'000	£'000	
	Contributions			
-87,923	employer contributions	**-112,820**		N20
-17,625	members' contributions	**-17,795**		N20
-105,548			**-130,615**	N7
	Transfers in from other pension funds			
-7,100	individual transfers from other schemes or funds	**-6,733**		
-94	group transfers from other schemes or funds	-		
-7,194			**-6,733**	
	Other income			
-151	recoveries for services provided		**-143**	N22
	Benefits			
63,551	pensions	**65,927**		N32
12,244	commutation of pensions and lump sum retirement benefits	**11,090**		
858	lump sum death benefits	**1,153**		
76,653			**78,170**	N7
	Payments to and on account of leavers			
135	refunds to members leaving scheme or fund	**239**		
42	payments for members joining state scheme or fund	**58**		
3,146	individual transfers to other schemes or funds	**5,974**		
338	group transfers to other schemes or funds	-		
3,661			**6,271**	
-32,579	**Net (addition) / withdrawal from dealings with members**		**-53,050**	
8,525	**Management Expenses**		**7,418**	N22
	Returns on investments			
-27,305	Investment income	**-30,856**		N15
49	Taxes on income	**7**		N3 & N15
-334,803	Profit(-) and losses on disposal of investments and changes in market value of investments	**-74,344**		N4
-362,059	**Net returns on investments**		**-105,193**	
-386,113	**NET INCREASE (-) / DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR**		**-150,825**	
1,702,503	**Opening net assets of the scheme**		**2,088,616**	
2,088,616	**Closing net assets of the scheme**		**2,239,441**	

Gloucestershire Pension Fund

Net Assets Statement as at 31st March 2018

2016/17 re-stated £'000		2017/18 £'000	Note
	Investment assets		
280,713	Bonds	**288,855**	
377,449	Equities	**380,754**	
1,251,349	Pooled investment vehicles	**1,329,483**	N10 & N34b
135,534	Property unit trusts	**178,383**	N10 & N34b
589	Derivative contracts	**710**	N2 & N17
5,328	Other investments - Venture Capital/Private Equity	**5,624**	N10
21,509	Cash held on behalf of the investment managers	**23,118**	
5,522	Other investment balances	**5,871**	
2,077,993		**2,212,798**	N14
	Long term investment assets		
-	Brunel Pension Partnership	**840**	N9
-		**840**	
	Investment liabilities		
-153	Derivative contracts	**-320**	N2 & N17
-2,720	Other investment balances	**-552**	
-2,873		**-872**	N14
2,075,120	**Total net investments**	**2,212,766**	
	Long term assets		
334	Contributions due from employers	**282**	
1,854	Other long term assets (debtors)	**1,236**	
2,188		**1,518**	N14 & N24
	Current assets		
5,132	Contributions due from employers	**4,121**	
238	Other current assets	**539**	
618	Money due re. transfer of staff to another pension scheme	**618**	
-	Payments in advance	**156**	
7,160	Cash balances	**21,748**	N2, N23, N27
13,148		**27,182**	N14 & N24
	Current liabilities		
-4	Unpaid benefits	**-16**	
-1,836	Other current liabilities	**-2,009**	
-1,840		**-2,025**	N14 & N25
2,088,616	**Net assets of the scheme available to fund benefits at the period end**	**2,239,441**	N4, N5, N14 & N18

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end but rather summarise the transactions and net assets of the scheme.

The actuarial present value of promised retirement benefits is disclosed at Note N26.
The notes on the following pages form part of these Financial Statements.

Gloucestershire Pension Fund

Notes to Pension Fund Accounts

N1. Introduction

The County Council is the administering body for the Gloucestershire Local Government Pension Fund. This is not only for County Council employees but also for District Councils within the County and other local bodies providing public services. A full list of all employing bodies who are members of the Fund are shown in the Pension Fund's Annual Report alongside the more detailed accounts of the Gloucestershire Pension Fund.

The Local Government Pension Scheme is a statutory funded defined benefit pension scheme. Previously the Fund was "contracted out" of the state scheme but from the 1st April 2016 onwards all members have been contracted back into the state scheme in addition to being in the Pension Fund. From 1st April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is increased annually in line with the Consumer Prices Index.

The scheme is voluntary and made available to all (*) employees except fire fighters, police and teachers (who have their own separate nationally-administered schemes). The Fund is financed by contributions paid in by the existing employees and their employers and by earnings from the investment of Fund monies. The number of contributors at 31st March 2018 was 18,830 (2017 18,986). The Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016 (as amended)

A full analysis of membership, funding and benefits can be found in the Pension Fund's Annual Report. The Fund exists to provide pensions and certain other benefits to former employees. The Pension Fund is not a Gloucestershire County Council fund and is subject to its own audit; therefore balances are not included in the Gloucestershire County Council Consolidated Balance Sheet. The Fund is administered by the Pension Committee, which is a committee of Gloucestershire County Council. The Pension Board was set up with effect from the 1st April 2015 to assist the Pensions Committee in securing compliance with the relevant laws and Regulations and to help the Pension Committee ensure the effective and efficient governance and administration of the Fund.

** There are restrictions with some casual staff*

N2. Summary of significant accounting policies

Basis of preparation
The Statement of Accounts summarises the Funds' transactions for the 2017/18 financial year and its position at year end as at 31st March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts summarise the transactions of the Fund and reports on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial value of promised retirement benefits, valued on an International Accounting Standard (IAS19) basis, is disclosed at Note 26 of these accounts. The accounts are prepared on a going concern basis.

Critical judgements in applying accounting policies
The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.
This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note N26.
These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies.

Assumptions made about the future and other major sources of estimation uncertainty
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end-date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. Income and expenditure have been accounted for on an accruals basis so far as amounts due have been determined in time for inclusion in the accounts. Any amount due in year but unpaid will be classed as a current financial asset. Benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid claims approved during the year. Individual transfer values are accounted for when they are paid or received. Bulk transfer values are accrued when the value has been determined.

Management expenses

Pension Fund expenses have been accounted for in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs* . A more detailed breakdown of management expenses can be found in Note N22.

Investment management expenses
The managers' fees have been accounted for on the basis contained within their management agreements. Broadly these are based on the market value of the investments under management and therefore increase or decrease as the value of these investments change. In addition the Fund has agreed with the following managers that an element of their fee be performance related:

- Standard Life Investments - UK Equities
- Hermes - Property Unit Trusts

Hermes deducts its fees from a combination of assets held and income distributions. TVP and Yorkshire Fund Managers (YFM) deduct their fees from the value of the assets under their management. Fees have been calculated for Hermes and included within Investment Management Expenses. Fees for TVP and YFM have not been included as they are the legal responsibility of the managers and not the Fund.

Acquisition and transaction costs of investments
Acquisition costs of investments (e.g. stamp duty) and transaction costs are included within Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments. In addition to the transaction costs disclosed, indirect costs are incurred through the bid/offer spread on investments within pooled investment vehicles. The amounts of indirect costs are not separately provided to the Fund. A more detailed breakdown of management expenses, including transaction costs, can be found in Note N22.

Administration expenses
All administrative expenses are accounted for on an accrual basis. All staff costs associated with administration is charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. Further information on administrative expenses can be found in Note N22.

Oversight & governance expenses
All Oversight and Governance expenses are accounted for on an accrual basis. All staff costs associated with Oversight and Governance is charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of investment advice from external consultants is included in Oversight & Governance. Further information on Oversight and Governance expenses can be found in Note N22.

Investment Income
Dividends from quoted securities are accounted for when the security is declared ex-dividend. Any amount not received by the end of the reporting period is recognised as a current financial asset. Investment income arising from the underlying investments of Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicle and reflected in the unit price.

Cash
Cash balances held in accordance with the County Councils' Treasury Management Strategy and those held with the Funds' Custodian State Street Global Services, on behalf of investment managers, are in instant access accounts.

Valuation of assets
The SORP requires securities to be valued on a Fair Value Basis therefore assets, where there is an active and readily available market price, are valued at the bid price and liabilities on an offer price basis. Where assets do not actively trade through established exchange mechanisms a price is obtained from the manager of the investment asset. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates prevailing as at 31st March 2018. Purchases and sales during the year which require settlement in a foreign currency are converted from/to sterling at the exchange rate prevailing on the trade date. Fixed interest securities are recorded at net market value based on their yields. Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is re-invested in the fund, net of applicable withholding tax. Property within the property unit trusts are independently valued mainly in accordance with the Royal Institute of Chartered Surveyors valuation standards. Private Equity is valued using the latest financial statements published by the respective fund managers and in accordance with the International Private Equity and Venture Capital Guidelines.

Derivatives

Derivative contracts are valued at fair value and are determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Derivative contract assets, those with a positive value, are valued at bid price and derivative contract liabilities, those with a negative value, are valued at the offer price. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts. The fair value of the forward currency contracts are based on market forward exchange rates at the year end date.

N3. Taxation

The Fund is exempt from UK capital gains tax on the proceeds of investments sold. Corporation Tax is deducted from UK equity dividends; tax deducted from property unit trusts can be reclaimed. Withholding tax is payable on income from overseas investments. This tax is recovered wherever local tax laws permit.

N4. Investment movements summary

2017/18

	Market Value at 31st March 2017	Purchases during the year at cost and derivative payments	Sales proceeds during the year and derivative receipts	Change in market value during the year	**Market Value at 31st March 2018**
Asset Class	£'000	£'000	£'000	£'000	**£'000**
Bonds	280,713	60,935	-48,324	-4,469	**288,855**
Equities	377,449	120,081	-101,335	-15,441	**380,754**
Pooled Investments	1,251,349	77,148	74,061	75,047	**1,329,483**
Property Unit Trusts	135,534	35,633	-463	7,679	**178,383**
Private Equity	5,328	116	-	180	**5,624**
	2,050,373	293,913	-224,183	62,996	**2,183,099**
Derivative contracts:					
Futures	220	332	-153	-196	**203**
Forward currency contracts	216	-	-	-29	**187**
	436	332	-153	-225	**390**
Long term investment assets					
Brunel Pension Partnership	-	840	-	-	**840**
	-	840	-	-	**840**
Net Investment Assets	2,050,809	295,085	-224,336	62,771	**2,184,329**

In addition to the investments there was £55,112k (£37,807k 2016/17) in cash and accruals. Cash movements, currency adjustments and other end of year settlements totalled £11,573k (-£2,205k 2016/17). As a result the total profit (-) and losses on disposal of investments and changes in market value of investments was -£74.3m (-£334.8m 2016/17).

2016/17 re-stated

	Market Value at 31st March 2016	Purchases during the year at cost and derivative payments	Sales proceeds during the year and derivative receipts	Change in market value during the year	**Market Value at 31st March 2017**
Asset Class	£'000	£'000	£'000	£'000	**£'000**
Bonds	280,881	33,311	-63,892	30,413	**280,713**
Equities	312,866	729,279	-700,784	36,088	**377,449**
Pooled Investments*	950,233	769,902	-735,819	267,033	**1,251,349**
Property Unit Trusts*	129,377	7,871	-2,450	736	**135,534**
Private Equity	5,219	-	-	109	**5,328**
	1,678,576	1,540,363	-1,502,945	334,379	**2,050,373**
Derivative contracts:					
Futures	-29	2,269	-3,673	1,653	**220**
Forward currency contracts	-760	-	-	976	**216**
	-789	2,269	-3,673	2,629	**436**
Net Investment Assets	1,677,787	1,542,632	-1,506,618	337,008	**2,050,809**

In addition to the investments there was £37,807k (£24,716k 2015/16) in cash and accruals. Cash movements, currency adjustments and other end of year settlements totalled -£2,205k (£4,853k re-stated 2015/16). As a result the total profit (-) and losses on disposal of investments and changes in market value of investments was -£334.8m (£48.0m re-stated 2015/16).

* An investment valued at £1,816k in 2016/17 was previously classified as a UK property limited liability partnership. Following further investigation by the investment manager in 2017/18, this holding has now been deemed to be a UK property unit trust instead and the 2016/17 comparable figures have been amended to reflect that change.
Please see note N34 (b) for details of changes to comparable figures.

The change in market value of investments comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

The closing market value of the derivatives in the previous tables represents fair value as at the year end date. In the case of derivative contracts, which are traded on exchanges, this value is determined using exchange prices at the reporting date. Forward foreign exchange contracts are over the counter contracts and are valued by determining the gain or loss that would arise from closing out the contract at the reporting date and entering into an equal and opposite contract as at that date. The profit or loss arising is included within the cash and accruals figure.

All derivative contracts settled during the period are reported within the table as purchases and sales.

N5. Management of fund assets

The market value of investments managed by each external manager at the end of the financial year was:

	2016/17		**2017/18**	
	£'000	%	**£'000**	**%**
BlackRock	1,034,454	49.5	**1,038,727**	**46.4**
Bluebay Asset Management	**-**	**-**	**6,166**	**0.3**
CBRE	44,039	2.1	**54,631**	**2.4**
GMO	582	-	-	-
Golub Capital Partners International	**-**	**-**	**10,693**	**0.5**
Hermes Investment Management Property Unit Trust	98,404	4.7	**131,618**	**5.9**
Standard Life Investments	465,480	22.3	**471,680**	**21.1**
Technology Venture Partners	3,453	0.2	**3,635**	**0.1**
Western Asset Management Company	426,733	20.4	**492,635**	**22.0**
Yorkshire Fund Managers (YFM)	1,875	0.1	**1,989**	**0.1**
Total - External Managers	2,075,020	99.3	**2,211,774**	**98.8**
In-house cash and accruals	13,496	0.7	**26,676**	**1.2**
Assets within the Transition account with the Custodian	10	0.0	-	-
Cash instruments with Custodian	90	0.0	**151**	**0.0**
Brunel Pension Partnership	-	-	**840**	**0.0**
	2,088,616	100.0	**2,239,441**	**100.0**

Where the value of an investment exceeds 5% of the total value of net assets, details have been disclosed in note N18.

N6. Actuarial position of the Fund

- In line with the Local Government Pension Scheme Regulations, actuarial valuations of the Fund are required to be undertaken every three years, for the purpose of setting employer contribution rates for the forthcoming triennial period. The latest valuation took place as at 31st March 2016 and established the minimum contribution payments for the three years until 31st March 2020. The next valuation will take place as at March 2019.

- The estimate of the pension fund liability is subject to significant variations, based on changes to the underlying assumptions used - see below.

- The results of the 2016 valuation gave a primary rate of 19.6% for the period 1st April 2017 to 31st March 2020 together with a secondary rate of £32,487k in 2017/18, £36,638k in 2018/19 and £40,905k in 2019/20. At the previous formal valuation at 31st March 2013, a different regulatory regime was in force, therefore a contribution rate that is directly comparable to the rates above is not provided. Individual employers' rates will vary depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 actuarial valuation report and the Funding Strategy Statement on the Fund's website. This rate of contribution is the rate which, in addition to the contributions paid by the members, should be sufficient to meet:

  - 100% of the liabilities arising in respect of service after the valuation date;
  - plus an adjustment over a period of 17 years (20 years for Primary Rate) to reflect the shortfall of the value of the County Council's notional share of the Fund's assets over 100% of its accrued liabilities, allowing, in the case of members in service, for future pay increases.

- The market value of the Fund's assets at the March 2016 triennial valuation date was £1,703m (£1,385m March 2013) and represented 79.7% (70.1% March 2013) of the Fund's accrued liabilities, allowing for future pay increases. When a valuation reveals a deficiency, the employer contribution rates are adjusted to target restoration of a solvent position over a period of years (the recovery period). The recovery period applicable for each participating employer is set by the Administering Authority in consultation with the Scheme Actuary and employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund.

- The contribution rate has been calculated using the projected evolution of each employers' section of the Fund and the main actuarial assumptions used are as follows:

	Funding Basis	
	2013	**2016**
Rate of return on investments (Discount Rate)	4.6% pa	**4.0% pa**
Rate of general pay increases *	3.8% pa	**2.4% pa**
Rate of increase to pensions in payment (in excess of guaranteed minimum pension)	2.5% pa	**2.1% pa**

* Plus an allowance is also made for promotional pay increases.

- The full actuarial valuation reports for 2007, 2010, 2013 and 2016 are published on the County Council's website and can be viewed using the following web address: www.gloucestershire.gov.uk/pensionsinvestments

- See note N26 for details of the Actuarial Present Value of Promised Retirement Benefits.

N7. Analysis of contributions receivable and benefits payable

	2016/17		**2017/18**	
	Contributions receivable £'000	Benefits payable £'000	**Contributions receivable £'000**	**Benefits payable £'000**
Gloucestershire County Council *[Administering authority]*	47,342	42,054	**54,853**	**41,302**
Scheduled bodies (157 17/18) (146 16/17)* *[Bodies admitted by right]*	49,627	30,722	**66,742**	**32,048**
Admitted bodies (43 17/18) (43 16/17)* *[Bodies admitted by agreement]*	8,579	3,877	**9,020**	**4,820**
	105,548	76,653	**130,615**	**78,170**

Scheduled bodies now include 91(80 16/17) schools who have converted to academy status.

* These numbers relate to active employers with active members

N8. Investment Strategy Statement (ISS)

The Fund's Investment Strategy Statement (ISS) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 can be found on the Fund's website www.gloucestershire.gov.uk/extra/pensions/investments. The first statement was published for 1st April 2017 and it includes a statement on the Fund's approach to pooling its investment assets as required under the regulations.

N9. Related party transactions

Gloucestershire County Council, as Administering Authority for the Fund, incurred the following costs in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund. All monies owing to and due from the Fund were paid or accrued for in the year.

	2016/17 £'000	**2017/18** **£'000**
Administrative expenses	1,968	**1,743**

Part of the Pension Fund's cash holdings are invested on the money markets by the Treasury Management team of Gloucestershire County Council, see notes N2, N23 and N27.

Of the County Council's key management personnel, some of the Director: Strategic Finance's remuneration costs were recharged to the Fund to reflect time spent. These consisted of salary, fees and allowances of £11,030 (£10,921 2016/17) and employers' pension contributions of £3,188 (£3,047 2016/17).

The Director: Strategic Finance is a member of the Fund as a contributing Gloucestershire County Council employee. This does not impact on her role as Finance Director and S151 officer, which is clearly defined.

The Pensions Committee is the decision making body for the Fund and Gloucestershire County Council nominates 6 voting committee members.

Each member of the Pension Committee is required to declare their interests at each meeting.

Mr. P. Clark, the Scheme Member Representative, is a non-voting member of the Pension Committee. Mr. Clark is a contributing member of the Pension Fund and this does not impact on his Pension Committee role.

Six members of the Pension Committee, excluding the District Council Representative, are also District Council members and these are detailed below:

Member	**District Council**
Cllr. D. Brown	Gloucester City Council
Cllr. C. Hay	Cheltenham Borough Council
Cllr. L. Stowe	Cotswold District Council
Cllr. R. Theodoulou	Cotswold District Council
Cllr. S. Parsons	Cotswold District Council
Cllr. B Oosthuysen	Stroud District Council

In addition to the roles outlined above, Cllr. R. Theodoulou sits on the Board of UBICO Limited and Brunel Pension Partnership (BPP Ltd).

Cllr. C. Hay sits on the Board of Cheltenham Leisure & Culture Trust and Cllr. N. Cooper is a governor of Archway School. Ubico Limited, Cheltenham Leisure & Culture Trust and Archway School are employers in the Fund.

The Pension Board was created on the 1st April 2015. Two members of the Board are members of the Fund as contributing employees and another one is in receipt of pension benefits. This does not impact on their roles as members of the Pension Board given the nature of the Board's functions.

Transactions between employers and the Fund are disclosed in note N7.

Brunel Pension Partnership Ltd (Company Number 10429110)
Brunel Pension Partnership Ltd. (BPP Ltd.) was formed on the 14th October 2016 and will oversee the investment of pension fund assets for Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire Funds.

Each of the ten local authorities, including Gloucestershire County Council own 10% of BPP Ltd. Pension Fund transactions with BPP Ltd. are as follows:

	2016/17 £'000	**2017/18** **£'000**
Income	-	**-**
Expenditure	-	**-**
Debtors	-	**283**
Creditors	-	**-**
	-	**283**

In addition to their role as Pension Committee member and Cotswold District Council councillor, Cllr. R Theodoulou sits on the Committee of Brunel Pension Partnership Ltd as Chair of the Brunel Oversight Board (BOB).

N9a Key management personnel
The key management personnel of the Fund are the Section 151 Officer and the Head of Pensions position. The Section 151 Officer's costs have not been included as the Pension Fund is recharged on a time spent basis and her salary is accounted for in Gloucestershire County Council's accounts.

Total remuneration payable to the Head of Pensions position, 0.9 full time equivalent (F.T.E.), (1.3 F.T.E. 2016/17) is set out below.

	2016/17 £'000	**2017/18** **£'000**
Short-term benefits	99	**80**
Post-employment benefits	69	**44**
Other long-term benefits	-	**-**
Termination benefits	-	**-**
Share-based payments	-	**-**
	168	**124**

N10. Contingent liabilities and contractual commitments

The Fund has investment commitments with four managers where the investment manager has not yet drawn down all monies due. The following table shows the Fund's total commitment and the remaining liability, following drawdowns, at the year end.

During the year the Pension Committee agreed to increase the commitment to the global property portfolio managed by CBRE from £30m to £41m and at the same time it decided to invest in private debt through funds managed by Bluebay Asset Management LLP and Golub Capital Partners International. There remains a small outstanding commitment to the Chandos private equity fund managed by Yorkshire Fund Managers.

	Total Commitment £'000	Outstanding liability 2016/17 £'000	**Outstanding liability 2017/18 £'000**
Bluebay Asset Management LLP	**50,000**	-	**43,869**
Chandos Fund	**3,000**	151	**36**
CBRE*	**41,000**	151	**4,381**
Golub Capital Partners International	**40,000**	-	**28,396**
	134,000	302	**76,682**

* Commitment increased from £30m to £41m in May 2017

N11. Contingent assets

Due to retrospective adjustments to how pension payments are made for Registration staff working additional hours or on a fee basis, a contingent asset of £38,504 (16/17 £38,504) has been recorded for possible additional contributions from ex members of staff, during 2018/19 and future years.

N12. Unquoted holdings

The following holdings are unquoted:

	2016/17 £'000	2016/17 £'000 re-stated	**2017/18 £'000**
Pooled investment vehicles			
Overseas equity unitised insurance policy	561,170	561,170	**600,996**
Global equity unitised insurance policy	345,334	345,334	**294,827**
Global multi asset unitised insurance policy	76,646	76,646	**77,877**
UK property managed fund	2,565	2,565	**3,710**
Overseas fixed interest managed fund*	-	122,524	**184,099**
Global equity managed fund	582	582	**-**
UK property limited liability partnership	3,947	3,947	**1,809**
Overseas property limited liability partnership	138	138	**-**
UK private debt limited liability partnership	-	-	**6,166**
Overseas private debt limited liability partnership	-	-	**10,693**
Overseas fixed interest limited liability partnerships	11,208	11,208	**5,248**
	1,001,590	1,124,114	**1,185,425**
Property unit trusts			
UK property unit trust	21,535	21,535	**30,632**
Overseas property unit trust	13,780	13,780	**16,134**
	35,315	35,315	**46,766**
Total	1,036,905	1,159,429	**1,232,191**

* An investment valued at £122,524k in 2016/17 was classified as quoted, following further investigation, this holding has now been deemed to be unquoted and the 2016/17 comparable figures have been amended to reflect that change. See Note N34 (a).

N13. Stocklending

The Pension Funds' custodian has been authorised to release stock to third parties under a stock lending arrangement. At 31st March 2018, the value of stock out on loan was £41.6m (2016/17 £22.7m) of which £32.9m (£16.2m) was in UK equities and £8.7m (£6.3m) in UK Government stock (UK and Overseas Government stock 16/17)(and £0.2m in Corporate Bonds). Collateral of £44.2m (£25.0m) equal to 106.2% (111%) of stock out on loan was held in the form of UK bonds, G10 Overseas government debt and a restrictive list of equities indices.

The Pension Fund stipulates those institutions that are allowed to borrow its stock and the type of collateral that is acceptable.

These investments continue to be recognised in the Fund's financial statements. During the period the stock is on loan, the voting rights of the loaned stocks pass to the borrower.

N14. Financial asset analysis

Financial assets	2016/17 £'000	2016/17 £'000 re-stated	**2017/18 £'000**	Note
Bonds				
UK - Public Sector - Quoted	156,293	156,293	**137,004**	
- Corporate - Quoted	98,394	98,394	**121,319**	
Overseas - Public Sector - Quoted	23,723	23,723	**23,887**	
- Corporate - Quoted	2,303	2,303	**6,645**	
	280,713	280,713	**288,855**	
Equities				
UK - Quoted	377,449	377,449	**380,754**	
Pooled investment vehicles				
Unit Trusts				
Overseas - Equities - Quoted	127,912	127,912	**142,866**	
Unitised Insurance Policies				
Overseas - Equities - Unquoted *	561,170	561,170	**600,996**	
Global - Equities - Unquoted *	345,334	345,334	**294,827**	
Global - Multi Asset - Unquoted	76,646	76,646	**77,877**	
Other Managed Funds				
O.E.I.C.'s				
Overseas - Fixed interest - Quoted */**	123,663	1,139	**1,192**	N34 a
Overseas - Fixed interest - Unquoted */**	-	122,524	**184,099**	N34 a
Global - Equities - Unquoted	582	582	**-**	
UK - Property - Unquoted	2,565	2,565	**3,710**	
Limited Liability Partnerships				
UK - Private Debt - Unquoted	-	-	**6,166**	N10
Overseas - Private Debt - Unquoted	-	-	**10,693**	N10
UK - Property - Unquoted ***	3,947	2,131	**1,809**	N34b
Overseas - Property - Unquoted	138	138	**-**	
Overseas - Fixed interest - Unquoted	11,208	11,208	**5,248**	
	1,253,165	1,251,349	**1,329,483**	
Property Unit Trusts				
UK - Quoted	98,403	98,403	**131,617**	
- Unquoted ***	21,535	23,351	**30,632**	N34b
Overseas - Unquoted	13,780	13,780	**16,134**	
	133,718	135,534	**178,383**	N10
Derivative Contracts				
Futures - UK	225	225	**299**	
Forward foreign exchange contracts	364	364	**411**	
	589	589	**710**	N17
Other Investments				
Venture Capital/Private Equity - UK	5,328	5,328	**5,624**	N10
	5,328	5,328	**5,624**	
Cash (Managers)				
Cash instruments - UK	17,187	17,187	**20,149**	
- Overseas	1,534	1,534	**1,915**	
Cash deposits - UK	2,548	2,548	**716**	
- Overseas	240	240	**338**	
	21,509	21,509	**23,118**	
Other investment balances				
Debtors				
Outstanding settlement of investment transactions	1,099	1,099	**502**	
Accrued dividend income and tax reclaims due on dividend income	4,423	4,423	**5,369**	
	5,522	5,522	**5,871**	
Long term financial assets				
Brunel Pension Partnership	**-**	**-**	**840**	N9
	-	**-**	**840**	
Total Financial Assets	2,077,993	2,077,993	**2,213,638**	

Financial Liabilities	2016/17 £'000	2016/17 £'000 re-stated	**2017/18 £'000**	Note
Derivative Contracts				
Futures - Overseas	-5	-5	**-96**	
Forward foreign exchange contracts	-148	-148	**-224**	
	-153	-153	**-320**	N17
Other investment balances				
Creditors				
Outstanding settlement of investment transactions	-2,720	-2,720	**-552**	
Total Financial Liabilities	-2,873	-2,873	**-872**	
Long Term Assets				
Contributions due from employers	334	334	**282**	
Money due re. transfer of staff to another pension scheme	1,854	1,854	**1,236**	
	2,188	2,188	**1,518**	N24
Current Assets				
Contributions due from employers	5,132	5,132	**4,121**	
Other current assets (debtors)	238	238	**539**	
Money due re. transfer of staff to another pension scheme	618	618	**618**	
Payments in advance	-	-	**156**	
Cash balances	7,160	7,160	**21,748**	N23
	13,148	13,148	**27,182**	N24
Current Liabilities				
Unpaid benefits	-4	-4	**-16**	
Other liabilities (creditors)	-1,836	-1,836	**-2,009**	
	-1,840	-1,840	**-2,025**	N25
TOTAL	2,088,616	2,088,616	**2,239,441**	

* These overseas pooled funds may incorporate some UK assets.

** An investment valued at £122,524k in 2016/17 was classified as quoted, following further investigation, this holding has now been deemed to be unquoted and the 2016/17 comparable figures have been amended to reflect that change. See Note N34 (a) .

*** An investment valued at £1,816k in 2016/17 was classified as a UK property limited liability partnership . Following further investigation by the investment manager, this holding has now been deemed to be a UK property unit trust instead and the 2016/17 comparable figures have been amended to reflect that change. See Note N34 (b)

N15. Investment income

Investment income arises from the following investment categories:

	2016/17 £'000	**2017/18 £'000**
Bonds	8,879	**9,305**
Equities	11,614	**14,038**
Pooled investment vehicles	6,326	**6,920**
Interest on cash deposits	84	**121**
Private equity	300	**393**
Other income from stocklending, underwriting and class actions	102	**79**
	27,305	**30,856**
Withholding tax	-49	**-7**
	27,256	**30,849**

N16. Separately invested additional voluntary contributions (AVC's)

Gloucestershire County Council LGPS provides additional voluntary contribution (AVC) schemes for its members, with The Prudential Assurance Company Limited and Phoenix Life Limited. The AVC's are invested separately in funds managed by them. These are in the form of with-profits, unit-linked and deposit accounts and secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement confirming amounts held to their account and movements in the year. These amounts are not included in the Pension Fund Accounts in accordance with Regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

Value of separately invested additional voluntary contributions

	31st March 2017 £'000	**31st March 2018 £'000**
The Prudential Assurance Company Limited	7,195	**7,005**
Phoenix Life Limited	52	**20**
	7,247	**7,025**

AVC contributions of £763k were paid directly to Prudential during the year (£586k 16/17) and included additional death in service premiums of £5k (£6k 16/17). No contributions were paid to Phoenix Life.

N17. Derivatives

Investments in derivatives are only made if they contribute to a reduction of risks and facilitate efficient portfolio management. A derivative is a generic term for financial instruments used in the management of portfolios and is a financial contract between two parties, the value of which is determined by the underlying asset. Derivatives include futures, forwards, swaps and options.

The fixed income portfolio uses futures for duration management purposes. Additionally, the investment strategy for this manager, for the majority of overseas currency exposures, is to be fully hedged back to Sterling which is achieved by the use of foreign exchange forward contracts. To mitigate large unrealised profits or losses accruing with any one counterparty the contracts are split between a handful of banks and the contracts rolled quarterly in order that gains or losses are realised at regular intervals.

The investment strategy of the property manager with overseas holdings is to place forward currency trades with the intention of hedging foreign currency exposure to ensure the portfolio is not impacted by currency fluctuations. The hedges are achieved by placing foreign exchange forward contracts with the Fund's custodian.

In the table below, the 'notional value' of the stock purchases under futures contracts is the economic exposure and the value subject to market movements as at 31st March 2018.

Derivative Contract Analysis

	Contract type*	2016/17 Notional Value	**2017/18 Notional Value**	**Expiration**	2016/17 Market Value	**2017/18 Market Value**
INVESTMENT ASSETS		£'000	**£'000**		£'000	**£'000**
Futures						
UK - Fixed Interest						
UK Long Gilt Future	ET	15,054	**15,967**	Less than 3 months	225	**299**
UK Futures		15,054	**15,967**		225	**299**
Total Futures		15,054	**15,967**		225	**299**
Forward foreign exchange contracts	OTC	32,935	**21,237**	Less than 3 months	364	**411**
Total Derivative Assets		47,989	**37,204**		589	**710**
INVESTMENT LIABILITIES						
Futures						
Overseas - Fixed Interest						
German Euro-Bund Future	ET	-	**-1,677**	Less than 3 months	-	**-25**
US Treasury Bond Future	ET	-899	**-2,288**	Less than 3 months	-5	**-71**
Overseas Futures		-899	**-3,965**		-5	**-96**
Total Futures		-899	**-3,965**		-5	**-96**
Forward foreign exchange contracts	OTC	24,612	**26,452**	Less than 3 months	-148	**-224**
Total Derivative Liabilities		23,713	**22,487**		-153	**-320**
Net Futures					436	**390**

* Contract types ET (exchange traded) OTC (over the counter)

The total Futures' initial margin for 2017/18 was £0.4m (£0.3m 2016/17) and the total variation margin was £0.01m (-£0.01m 2016/17). The initial margin is an amount of money deposited by both buyers and sellers of Futures contracts to ensure performance of the terms of the contract. The variation margin reflects the accumulated cash flows from the daily marking to market that accrues in the futures broker's account.

A breakdown of the open forward foreign exchange contracts at 31st March 2018 is given below:-

Open Forward Currency Contracts at 31st March 2018

Settlement	**Currency bought**	**Local Value**	**Currency sold**	**Local Value**	**Asset Value**	**Liability Value**
		000		000	£000	£000
Up to six months	GBP	5,593	SEK	62,173	295	
Up to six months	GBP	12,793	EUR	14,462	102	
Up to six months	GBP	935	USD	1,300	9	
Up to six months	GBP	1,916	EUR	2,177	5	
Up to six months	GBP	12,510	USD	17,730		-110
Up to six months	GBP	4,848	USD	6,893		-59
Up to three months	GBP	3,660	USD	5,204		-37
Up to three months	GBP	1,325	AUD	2,443		-6
Up to three months	GBP	2,990	EUR	3,406		-5
Up to three months	GBP	591	HKD	6,571		-5
Up to three months	GBP	222	JPY	33,172		-1
Up to three months	GBP	175	SGD	325		-1
Up to three months	GBP	131	NZD	256		-0
Open forward currency contracts at 31st March 2018					411	-224
Net forward currency contracts at 31st March 2018						187
Prior year comparative						
Open forward currency contracts at 31st March 2017					364	-148
Net forward currency contracts at 31st March 2017						216

N18. Investments exceeding 5% of Total Net Assets

At 31st March 2018 the Pension Fund held five, (2016/17, five) investments that each exceeded 5% of the total value of the net assets of the scheme. These five investments totalled £1,247,516k out of a total market value for the Fund of £2,239,441k. These are detailed as follows:

Investments exceeding 5% of Total Net Assets	2016/17 £'000	%	2017/18 £'000	%
BlackRock Global Equity Fund	561,170	26.9	**600,996**	**26.8**
BlackRock Aquila Life MSCI Developed World (unhedged)	172,816	8.3	**	**
BlackRock Aquila Life MSCI Developed World (hedged)	172,518	8.2	**187,939**	**8.4**
BlackRock Emerging Markets Index Fund	127,912	6.1	**142,866**	**6.4**
Legg Mason Global Funds - WA GMS	122,525	5.9	**184,098**	**8.2**
Hermes Property Unit Trust	**	**	**131,617**	**5.9**
	1,156,941	55.4	**1,247,516**	**55.7**

The BlackRock Global and Aquila Life Funds are Unitised Insurance Policies investing in global equities and the developed world, excluding emerging markets, respectively. Blackrock Emerging is a Unit Trust investing in emerging markets.

The Legg Mason Global Fund is an O.E.I.C. investing in overseas fixed interest.

Hermes Property Unit Trust is a Property Unit Trust

*** Investment held was below 5% of total net assets*

N19. Agency services

The Pension Fund pays discretionary pension awards to former employees on behalf of some Pension Fund employers. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed below.

	2016/17 £'000	**2017/18 £'000**
Discretionary Payments	1,088	**1,083**

N20. Contributions breakdown

	2016/17 £'000	**2017/18 £'000**
From Employers:		
Normal	43,436	**52,632**
Augmentation	-	**-**
Deficit Funding *	41,485	**58,112**
Section 75 debt (cessation of employer)	-	**-150**
Other	3,002	**2,226**
	87,923	**112,820**
From Members:		
Normal	17,319	**17,400**
Additional Voluntary	306	**395**
	17,625	**17,795**

The employers' monthly contributions are based on a percentage of pensionable pay. Deficit funding payments are either based on a percentage of pensionable pay or paid as a lump sum. Both monthly contributions and deficit funding payments have been identified above. The deficit funding contributions relate to past service benefit accrual and are payable over an agreed recovery period, not exceeding 20 years.

* During 2017/18 four employers paid deficit contributions totalling £27.223m in Year 1 of the valuation period rather than over the normal three years to take advantage of early payment reductions.

Other contributions are those contributions paid by an employer to compensate the Pension Fund for early retirement costs, excess ill health retirement costs or to improve their funding levels.

These payments follow the principles outlined in the Funding Strategy Statement. Early retirement costs are usually paid in one lump sum or were historically paid over several years dependent on the status of the employer. When a payment is spread there is an extra cost to reflect the delay in total payment. There are currently no early retirement costs being spread; however at 31st March 2018 £0.1m (2016/17 £0.4m) was due to the Pension Fund for early retirements, which have been accrued.

Excess ill health retirement costs are invoiced for as they arise and funding level payments are made by an employer voluntarily.

It had been agreed previously that an employer who left the Fund in 2008/09 could spread the payment of their deficit over a number of years. The total amount was credited to the Pension Fund and an accrual made for the outstanding amount. The accrual is rolled forward each year and adjusted for deficit payments made.

N21. Custody of investments

The accounts for the year ended 31st March 2018 use the valuations for the Fund's assets provided by our custodian, State Street Global Services. This reflects the position of the custodian who is ultimately the master book of record. Fund Managers must make sure that their records agree with those kept by the custodian, although the investment values may be obtained from different sources. Using the custodian's valuations ensures that the various portfolios are priced consistently, so that the same stocks, in different portfolios, are valued on the same basis. Investments held in custody by State Street Global Services on behalf of the Pension Fund, are ring-fenced from the assets of the Bank and segregated within its books as belonging to Gloucestershire Pension Fund.

N22. Management expenses

Pension Fund expenses have been accounted for in accordance with the *CIPFA guidance Accounting for Local Government Pension Scheme Management Costs* .

Management expenses	2016/17 £'000	**2017/18 £'000**
Investment management expenses *	6,698	**5,783**
Administration expenses	1,133	**1,217**
Oversight & governance	694	**418**
	8,525	**7,418**

* Please see a more detailed breakdown of the investment management expenses below.

The increase in Administration Expenses is largely due to an increase in staff costs and overhead recharges. The decrease in Oversight & Governance is mainly due to a recharge of previously incurred pooling expenditure to the Brunel Pension Partnership and a reduction in actuarial fees in the inter-triennial valuation period.

Within Oversight and Governance costs there were actuarial expenses of £130,410 (£135,313 2016/17) generated by specific employer requirements, these were then charged back to the employer. The corresponding income is included within Recoveries for Services Provided in the Fund Account.

In addition to the recharged actuarial expenses, recoveries for services provided includes £6,942 for pension reimbursements, £5,150 relating to fees and charges and £32 in miscellaneous income.

Investment management expenses		2016/17 £'000	**2017/18 £'000**
Fund value based management fees	- invoiced	3,237	**3,723**
	- deducted from investment	1,716	**863**
		4,953	**4,586**
Performance fee	- invoiced	**-**	**-**
	- deducted from investment	377	**432**
		377	**432**
		5,330	**5,018**
Transaction costs	- equities	1,222	**649**
	- derivatives	3	**2**
	- pooled funds	3	**5**
		1,228	**656**
Custody costs		118	**101**
Tax and legal costs		22	**8**
		6,698	**5,783**

The management fees disclosed include all investment management fees directly incurred by the Fund. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

Transaction costs

When an asset is purchased or sold a cost is incurred for broker commission and stamp duty, when appropriate, based on a small percentage of the value of assets being transacted.

Transaction costs of £656,256 (£1,227,659 2016/17) were included within the purchase cost/proceeds of investment at the point of purchase or sale but for transparency purposes have been added to Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments as recommended by CIPFA.

Transaction costs increased in 2016/17 largely due to a re-organisation of investment managers which resulted in a large number of equities being sold and purchased to establish the new portfolio. Transaction costs in 2017/18 have fallen back in line with expectations.

N23. Cash

From the 1st April 2010 the Pension Fund has had its own bank account. At 31st March 2018 cash of £21.7m (£7.2m in 2016/17) was invested through the County Council's short-term investment procedures. During the year the average investment balance was £11.4m (£8.8m 2016/17) earning interest of £25.5k (£33.6k 2016/17).

N24. Current & long term assets

	2016/17	**2017/18**
Current assets	£'000	**£'000**
Contributions due - Employees	745	**743**
Contributions due - Employers	4,387	**3,378**
Sundry debtors	238	**539**
Payment in advance	-	**156**
Money due re. transfer of staff to another pension scheme	618	**618**
	5,988	**5,434**
Cash balances	7,160	**21,748**
	13,148	**27,182**

Analysis of debtors	2016/17	**2017/18**
	£'000	**£'000**
Current assets		
Central government bodies	1,095	**1,119**
Other local authorities	2,039	**1,157**
NHS bodies	223	**7**
Public corporations and trading funds	-	**-**
Academies	946	**1,032**
Bodies external to general government	1,685	**2,119**
	5,988	**5,434**

	2016/17	**2017/18**
	£'000	**£'000**
Long term assets		
Central government bodies	1,854	**1,236**
Other entities and individuals	334	**282**
	2,188	**1,518**

One central government body has transferred to another pension fund and the resulting bulk transfer value due is being paid over a number of years. The total amount was credited to the Pension Fund and an accrual has been made for the outstanding amount. The accrual will be rolled forward each year and adjusted for payments made. A payment of £618,000 is due to the Pension Fund within the next twelve months.

It had been agreed that an employer who left the Fund could spread the payment of their deficit over a number of years. The total amount was credited to the Pension Fund and an accrual made for the outstanding amount. The accrual is rolled forward each year and adjusted for deficit payments made. A payment of £52,000 is due to the Pension Fund within the next twelve months.

N25. Current liabilities

	2016/17 £'000	**2017/18** **£'000**
Benefits payable	-4	**-16**
Sundry creditors	-1,836	**-2,009**
	-1,840	**-2,025**

Analysis of creditors	2016/17 £'000	**2017/18** **£'000**
Central government bodies	-655	**-682**
Other local authorities	-189	**-187**
Academies	-	-
Bodies external to general government	-996	**-1,156**
	-1,840	**-2,025**

N26. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation (See Note N6), the fund's Actuary also undertakes a valuation of the pension fund liabilities on an IAS19 basis every year. These liabilities have been projected using a roll forward approximation from the last triennial valuation as at 31st March 2016.

Balance Sheet:

Year Ended	31st March 2017 £m	**31st March 2018 £m**
Present Value of Promised Retirement Benefits	3,021	**3,082**

Net Assets Available for Benefits

Year Ended	31st March 2017 £m	**31st March 2018 £m**
Net assets	2,089	**2,239**

The assumptions used are suitable for IAS19 purposes as required by the Code of Practice; these differ from those used at the 31st March 2017. It is estimated that the impact of the change of assumptions to 31st March 2018 is to decrease the actuarial present value by £60m (16/17 increase of £443m). There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period (16/17 decrease £11m).

Significant Actuarial Assumptions Used

Financial assumption:

Year Ended	31st March 2017 % pa	**31st March 2018 % pa**
Inflation/Pension Increase Rate	2.4	**2.4**
Salary Increase Rate	2.7	**2.7**
Discount Rate	2.6	**2.7**

Longevity assumption:

The life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below.

Longevity assumptions as at 31st March 2018	Males	Females
	Years	
Current Pensioners	22.4	24.6
Future Pensioners **	24.0	26.4

Longevity assumptions as at 31st March 2017	Males	Females
	Years	
Current Pensioners	22.4	24.6
Future Pensioners **	24.0	26.4

** Future pensioners are assumed to be aged 45 at the most recent formal valuation as at 31st March 2016.

Commutation assumption:
An allowance is included for future retirements to elect to take 35% (35% 2016/17) of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 68% (68% 2016/17) of the maximum tax free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31st March 2018	Approximate % increase to liabilities %	Approximate monetary amount £m
0.5% p.a. increase in the Pension Increase Rate	8	250
0.5% p.a. increase in the Salary Increase Rate	1	44
0.5% p.a. decrease in the Real Discount Rate	10	311

Sensitivity to the assumptions for the year ended 31st March 2017	Approximate % increase to liabilities %	Approximate monetary amount £m
0.5% p.a. increase in the Pension Increase Rate	8	234
0.5% p.a. increase in the Salary Increase Rate	2	60
0.5% p.a. decrease in the Real Discount Rate	10	299

The principal demographic assumption is the longevity assumption. For sensitivity purposes, the Actuary estimates that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

N27. Nature and extent of risks arising from Financial Instruments

The Gloucestershire Local Government Pension Fund's (“The Fund”) objective is to generate positive investment returns for a given level of risk. Therefore the Fund holds financial instruments such as securities (equities, bonds), collective investment schemes (or pooled funds) and cash and cash equivalents. In addition debtors and creditors arise as a result of its operations. The value of these financial instruments in the financial statements approximates to their fair value.

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities i.e. promised benefits payable to members. Therefore the aim of investment risk management is to minimise the risk of an overall reduction on the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The Fund's investments are managed on behalf of the Fund by the appointed Investment Managers. Each Investment Manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus. The Gloucestershire Local Government Pension Fund Committee ("Committee") has determined that the investment management structure is appropriate and is in accordance with its investment strategy. The Committee regularly monitors each investment manager and considers and takes advice on the nature of the investments made and associated risks.

The Fund's investments are held by State Street Global Services, who act as custodian on behalf of the Fund.

Because the Fund adopts a long term investment strategy, the high level risks described below will not alter significantly during the year unless there are significant strategic or tactical changes in the portfolio.

Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed through its investments in equities, bonds and investment funds, to all these market risks. The aim of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return from the investment portfolio.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical, industry sectors, individual securities, investment mandate guidelines and Investment Managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee as well as appropriate monitoring of market conditions and benchmark analysis.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, caused by factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting all such instruments in the market.

Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited. The Investment Managers mitigate this price risk through diversification in line with their own investment strategies and mandate guidelines.

Other Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of return experienced by each investment portfolio during the year to 31st March 2018. The volatility data is broadly consistent with a one-standard deviation movement in the value of the assets. The analysis assumes that all other variables remain constant.

Movements in market prices would have increased or decreased the assets, as held by the Fund's custodian, at 31st March 2018 by the amounts shown below:

As at 31st March 2018	**Value £'000**	**Volatility of return %**	**Value on Increase £'000**	**Value on Decrease £'000**
UK Bonds	**172,032**	**10.20**	**189,579**	**154,485**
UK Index Linked Gilts	**86,291**	**7.20**	**92,504**	**80,078**
UK Equities	**380,754**	**16.80**	**444,721**	**316,788**
Overseas Bonds	**221,071**	**10.20**	**243,620**	**198,521**
Multi National Equities*	**1,116,566**	**17.50**	**1,311,965**	**921,167**
UK Property	**164,058**	**14.30**	**187,519**	**140,598**
Overseas Property	**19,844**	**14.30**	**22,682**	**17,006**
Venture Capital/Private Equity	**5,624**	**28.30**	**7,216**	**4,032**
Private Debt	**16,859**	**5.10**	**17,718**	**15,999**
	2,183,099		**2,517,524**	**1,848,674**
Total Gloucestershire Fund	**2,183,099**	**11.30%**	**2,429,789**	**1,936,409**

As at 31st March 2017	Value £'000	Volatility of return %	Value on Increase £'000	Value on Decrease £'000
UK Bonds	153,305	7.94	165,477	141,132
UK Index Linked Gilts	101,382	13.23	114,795	87,969
UK Equities	377,449	9.68	413,986	340,912
Overseas Bonds	160,898	6.24	170,938	150,858
Multi National Equities	1,111,644	9.90	1,221,696	1,001,591
UK Property	126,449	2.08	129,079	123,819
Overseas Property	13,918	15.73	16,107	11,728
Venture Capital/Private Equity	5,328	6.96	5,699	4,957
	2,050,373		2,237,777	1,862,966
Total Gloucestershire Fund	2,050,373	6.69%	2,187,543	1,913,203

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. This risk will affect the value of both fixed interest and index linked securities. The amount of income receivable from cash balances will also be affected by fluctuations in interest rates.

The Funds exposure to interest rate movements, as a result of the bond portfolio, as at the 31st March 2018 is set out below along with the interest rate sensitivity analysis data.

Interest Rate Risk Sensitivity Analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Over the last five years long term yields, as measured by the yield on the FTSE Over 15 Year Gilt Index, have averaged 2.41% (2016/17 2.69%) and moved between a high of 3.58% (3.64% 2016/17) and a low of 1.17% (1.13% 2016/17). As at the end of March 2018 this yield was 1.63% (1.65% 2016/17). Given the high degree of uncertainty over the future economic situation, the Fund's bond manager has advised that it is entirely possible that yields could fluctuate anywhere within this historic range in the next year, or in extreme circumstances outside these boundaries.

The analysis that follows assumes that all other variables, in particular, exchange rates, remain constant and shows the effect in the year on the values of a +/- 100bps (1%) change in interest rates on a time-weighted basis.

Assets exposed to interest rate risk	**Carrying amount as at 31st March 2018**	**Change in the year in the net assets available to pay benefits**	
		+100BPS (1% increase)	**-100BPS (1% decrease)**
	£'000	**£'000**	**£'000**
Cash held directly by the Fund	21,748	-	-
Cash and cash equivalents held on behalf of the Fund	23,118	-	-
Bond Portfolio - Fixed Interest Securities excluding cash	480,716	-52,509	52,509
	525,582	-52,509	52,509

Assets exposed to interest rate risk	**Carrying amount as at 31st March 2017**	**Change in the year in the net assets available to pay benefits**	
		+100BPS (1% increase)	**-100BPS (1% decrease)**
	£'000	**£'000**	**£'000**
Cash held directly by the Fund	7,160	-	-
Cash and cash equivalents held on behalf of the Fund	21,509	-	-
Bond Portfolio - Fixed Interest Securities excluding cash	417,394	-45,528	45,528
	446,063	-45,528	45,528

Foreign Currency Risk

Foreign currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on both monetary and non-monetary investments denominated in a currency other than Sterling. For a Sterling based investor, when Sterling weakens, the Sterling value of foreign currency denominated investments rises. As Sterling strengthens, the Sterling value of foreign currency denominated investment falls. We permit the fixed income portfolio manager, global property manager, developed world passive manager and the global multi asset manager to hedge currency exposures back to Sterling.

Currency Risk Sensitivity Analysis

Following analysis of historical data, by the Funds performance measurement service, the likely volatility associated with foreign exchange rate movements is considered to be 9.1% (as measured by one standard deviation).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 9.1% strengthening/weakening of the Pound against the various countries in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

2017/18 Currency exposure - Asset type	**Asset value as at 31st March 2018**	**Change to net assets available to pay benefits**	
	£'000	**£'000 +9.1%**	**£'000 -9.1%**
Global Fixed Interest	-	-	-
UK Equities	1,033	1,127	939
Global Equities	732,208	798,839	665,577
Emerging Market Equities	96,495	105,276	87,714
Overseas Private Debt	10,693	11,666	9,720
	840,429	916,908	763,950

2016/17 Currency exposure - Asset type	**Asset value as at 31st March 2017**	**Change to net assets available to pay benefits**	
	£'000	**£'000 +8.5%**	**£'000 -8.5%**
Global Fixed Interest	-	-	-
UK Equities	316	343	289
Global Equities	181,309	196,720	165,898
Emerging Market Equities	127,912	138,785	117,039
	309,537	335,848	283,226

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the careful selection and monitoring of counterparties including brokers, custodian and investment managers minimises any credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's contractual exposure to credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Bankruptcy or insolvency of the custodian may affect the Fund's access to its assets. However, all assets held by the custodian are ring-fenced as "client assets" and therefore cannot be claimed by creditors of the custodian. The Fund manages its risk by monitoring the credit quality and financial position of the custodian.

Credit risk on over the counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

The Fund's bond portfolios have significant credit risk through its underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

The Council believes it has managed its exposure to credit risk within an acceptable level and its default experience over the last five financial years is not significantly out of line with the industry.

Another source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion. Internally held cash is managed on the Fund's behalf by the Council's Treasury Management Team in line with the Fund's Treasury Management Policy which sets out the permitted counterparties and limits. The Fund invests surplus cash held with the custodian in diversified money market funds.

Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. This risk is managed by restricting the collateral permitted to high grade sovereign debt, AAA rated fixed interest stock issued by Supranational bodies and a restrictive list of equities indices. Cash collateral is not permitted.

Foreign exchange contracts are subject to credit risk in relation to the counterparties of the contracts which are primarily banks. The maximum credit exposure on foreign currency contracts is any net profit on forward contracts, should the counterparty fail to meet its obligations to the Fund when it falls due.

The credit risk within the bond portfolios can be analysed using standard industry credit ratings and the analysis as at 31st March 2018 is set out below.

Credit Analysis

31st March 2018	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000
UK Gilts	-	51,051	-	-	-	-	-
UK Index Linked	-	86,526	-	-	-	-	-
Overseas Govt Bonds	14,338	-	-	-	-	-	-
Overseas Inflation-linked	9,718	-	-	-	-	-	-
Corporate Bonds	1,802	14,035	49,918	38,933	-	-	-
High Yield	-	-	-	-	8,979	-	-
Emerging Markets	-	-	1,457	-	940	-	-
Mortgage Backed Securities	-	2,058	3,503	10,676	2,639	-	-
Supra/Sov/Local Govts	-	-	-	-	-	-	-
Cash/Cash Equivalents/Currency Forwards	10,411	-	1,313	-	-	-	-
	36,269	**153,670**	**56,191**	**49,609**	**12,558**	**-**	-
% of Fixed Interest Portfolio	11.8	49.8	18.2	16.1	4.1	-	-

31st March 2017	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000
UK Gilts	-	55,322	-	-	-	-	-
UK Index Linked	-	101,783	-	-	-	-	-
Overseas Govt Bonds	13,289	-	-	-	-	-	-
Overseas Inflation-linked	10,604	-	-	-	-	-	-
Corporate Bonds	-	6,140	39,863	29,879	14,842	-	1,838
Asset Backed	1,151	-	3,176	12,494	2,029	-	-
Emerging Markets	-	-	523	-	854	-	-
Mortgage Backed Securities	-	1,082	-	-	-	-	-
Supra/Sov/Local Govts	-	-	-	-	-	-	-
Cash/Cash Equivalents/Currency Forwards	-	892	-	-	-	-	8,670
	25,044	**165,219**	**43,562**	**42,373**	**17,725**	**-**	**10,508**
% of Fixed Interest Portfolio	8.2	54.3	14.3	13.9	5.8	-	3.5

Treasury Management Year End Cash Balances

The management of Pension Fund cash balances not held by the Custodian is delegated to Gloucestershire County Council's Treasury Management team to manage in accordance with their Treasury Management Strategy, which reflects the CIPFA Code of Practice on Treasury Management in Public Services. Pension Fund cash is invested separately from Gloucestershire County Council monies.

The Fund's cash holding under its treasury management arrangements at 31st March 2018 is shown below:

	Balances as at 31st March 2017		Balances as at 31st March 2018	
Account Name	**Rating***	**£'000**	**Rating***	**£'000**
Standard Life Sterling Liquidity Fund	AAAm	**4,831**	AAAm	**6,191**
Federated Short Term Sterling Prime Fund	AAAm	**1,810**	AAAm	**7,376**
HSBC Instant Access	A1+/AA-	**66**	A1+/AA-	**392**
HSBC Current Account	A1+/AA-	**-19**	A1+/AA-	**240**
Goldman Sachs	AAAm	**472**	AAAm	**7,549**
Total		**7,160**		**21,748**

* Ratings quoted are all Standard and Poors as at 31st March 2018 and 2017

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. A substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though a significant proportion is held in pooled funds. However, the main liability of the Fund are the benefits payable, which fall due over a long period and the investment strategy reflects the long term nature of these liabilities. Therefore the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property which are subject to longer redemption periods and cannot be considered as liquid as the other investments. The Fund maintains a cash balance to meet working requirements and has immediate access to its cash holdings.

Refinancing risk

Refinancing risk relates to the Fund being required to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. Refinancing risk within the Bond portfolio is mitigated through credit and liquidity analysis of all investments and diversification by issuer and maturity. The CBRE property fund managed on behalf of the Pension Fund is not leveraged or subject to refinancing risk. However, the underlying investments within this portfolio are leveraged and so may be subject to refinancing risk. This risk is mitigated by covenants written into the Fund documentation. There are no other financial instruments that have refinancing risk as part of its treasury management and investment strategies.

N28 Fair value hierarchy

Basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted Equities	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted Bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year end	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risks	Not required
Pooled investments	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV based pricing set on a forward pricing basis and daily prices published.	Not required
Pooled investments	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published.	Unobservable inputs	Valuations could be affected by changes in the structure of the holdings such as changing from a closed ended fund to an open ended fund.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple, Revenue multiple, Discount for lack of marketability, Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Private Debt	Level 3	Fair value derived from the amortised cost measurement	Initial recognition cost, Principal repayments, effective interest method, Impairment reductions	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having consulted with independent advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31st March 2018.

2017/18	**Assessed valuation range (+/-)**	**Value at 31st March 2018 £'000**	**Value on increase £'000**	**Value on decrease £'000**
UK property pooled funds	14%	150,695	171,792	129,598
Overseas property pooled funds	14%	2,706	3,085	2,327
Private equity	28%	5,624	7,199	4,049
UK Corporate Bonds	10%	2,047	2,252	1,842
Overseas Private Debt	5%	10,693	11,228	10,158
UK Private Debt	5%	6,166	6,474	5,858
Total		**177,931**	**202,030**	**153,832**

2016/17	**Assessed valuation range (+/-)**	**Value at 31st March 2017 £'000**	**Value on increase £'000**	**Value on decrease £'000**
UK property pooled funds	2%	112,078	114,320	109,836
Overseas property pooled funds	16%	2,872	3,332	2,412
Private equity	7%	5,328	5,701	4,955
Total		**120,278**	**123,353**	**117,203**

Fair Value Hierarchy

The Fund is required to classify its investments using a fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. Fair value is the value at which the investments could be realised within a reasonable timeframe. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. The fair value hierarchy has the following levels:

- Level 1 – Unadjusted quoted prices in an active market for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

- Level 2 – Inputs other than quoted market prices under Level 1, for example, when an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

- Level 3 – At least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31st March 2018	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	402,581	1,628,055	174,506	2,205,142
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	-	-
Investment manager cash and accruals				6,784
Net Investments Assets	402,581	1,628,055	174,506	2,211,926
Brunel Pension Partnership				840
Investment Debtors/Creditors				26,675
Total Net Investment Assets	**402,581**	**1,628,055**	**174,506**	**2,239,441**

Values at 31st March 2017	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	397,188	1,552,064	120,278	2,069,530
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	-	-
Investment manager cash and accruals				5,590
Net Investments Assets	397,188	1,552,064	120,278	2,075,120
Investment Debtors/Creditors*				13,496
Total Net Investment Assets	**397,188**	**1,552,064**	**120,278**	**2,088,616**

* Investment debtors and creditors have been added to this table to reflect the total net assets of the Fund.

Transfers between Levels 1 and 2
During 2017/18 there were no transfers between level 1 and 2.

Reconciliation of Fair Value Measurements within Level 3

2017/18

	UK property pooled funds £'000	Overseas property pooled funds £'000	Private Equity £'000	Overseas Private Debt £'000	UK Private Debt £'000	UK Corporate Bonds £'000	Total £'000
Market Value 31st March 2017	112,078	2,872	5,328	-	-	-	120,278
Transfers into Level 3	1,594	-	-	-	-	1,012	2,606
Transfers out of Level 3	-	-	-	-	-	-	-
Purchases during the year and derivative payments	31,685	-	116	11,604	6,131	1,498	51,034
Sales during the year and derivative receipts	-18	-7	-	-	-	-	-25
Unrealised gains/(losses)	5,384	-97	180	-911	35	-463	4,128
Realised gains/(losses)	-28	-62	-	-	-	-	-90
Market Value 31st March 2018	**150,695**	**2,706**	**5,624**	**10,693**	**6,166**	**2,047**	**177,931**

2016/17

	UK property pooled funds £'000	Overseas property pooled funds £'000	Private Equity £'000	Total £'000
Market Value 1st April 2016	106,703	2,029	5,219	113,951
Transfers into Level 3	1,429	1,549	-	2,978
Transfers out of Level 3	-1,419	-	-	-1,419
Purchases during the year and derivative payments	4,561	83	-	4,644
Sales during the year and derivative receipts	-672	-438	-	-1,110
Unrealised gains/(losses)	1,790	-351	109	1,548
Realised gains/(losses)	-314	-	-	-314
Market Value 31st March 2017	**112,078**	**2,872**	**5,328**	**120,278**

N29. Financial instrument disclosure

2017/18	Designated as fair value through P & L £'000s	Loans & Receivables £'000s	Financial liabilities at amortised cost £'000s
Financial assets			
Bonds	288,855	-	-
Equities	380,754	-	-
Pooled investments	1,329,483	-	-
Property Unit Trusts	178,383	-	-
Private equity	5,624	-	-
Brunel Pension Partnership	840	-	-
Derivative contracts	710	-	-
Cash	-	44,866	-
Other investment balances	-	5,871	-
Debtors	-	6,952	-
	2,184,649	57,689	-
Financial liabilities			
Derivative contracts	-320	-	-
other investment balances	-	-552	-
Creditors	-	-	-2,025
Borrowings	-	-	-
	-320	-552	-2,025
	2,184,329	**57,137**	**-2,025**

2016/17 re-stated	Designated as fair value through P & L £'000s	Loans & Receivables £'000s	Financial liabilities at amortised cost £'000s
Financial assets			
Bonds	280,713	-	-
Equities	377,449	-	-
Pooled investments*	1,251,349	-	-
Property Unit Trusts*	135,534	-	-
Private equity	5,328	-	-
Derivative contracts	589	-	-
Cash	-	28,669	-
Other investment balances	-	5,522	-
Debtors	-	8,176	-
	2,050,962	42,367	-
Financial liabilities			
Derivative contracts	-153	-	-
Other investment balances	-	-2,720	-
Creditors	-	-	-1,840
Borrowings	-	-	-
	-153	-2,720	-1,840
	2,050,809	39,647	-1,840

* Please see Note N34 (b) for changes in comparable figures

N30. Bulk transfers in and out of the Pension Fund

Transfers to or from other pension funds

During 2017/18 there were no bulk transfers to or from other pension funds.

N31. Accounting Standards that have been issued but have not yet been adopted

The Code requires consideration of the impact of standards that have been issued but not yet adopted. This is to enable users to evaluate the risk of these new standards on the Pension Fund's current financial position. IFRS 9 Financial Instruments has been issued but not yet applied. The Pension Fund does not consider this standard to have a material impact on the accounts.

N32. Taxation where lifetime or annual allowances are exceeded

Where a member's benefit entitlement exceeds the United Kingdom Inland Revenue tax limits (Lifetime Allowance or the Annual Allowance), the member is liable for taxation. This tax can be paid by the member or has to be paid by the Pension Fund on behalf of the member in exchange for a reduction in benefit entitlement. The Pension Fund has paid £71k on behalf of members during 2017/18 (£0k 2016/17). Any lifetime or annual allowance tax paid on behalf of members is recovered from their future pension payments. No accruals are made for the recovery of this tax element on the grounds of materiality and the very long term nature of its recovery.

N33. Events after the reporting date

There were no events after the reporting date.

N34. Changes to comparative figures

Change in asset classification

N34 (a)

An investment valued at £122,524k in 2016/17 was classified as quoted. Following further investigation, this holding has now been deemed to be unquoted and the 2016/17 comparable figures have been amended to reflect that change in Note 12, Unquoted holdings and Note 14 Financial asset analysis.

Unquoted Holdings (Note 12)	**2016/17**	**2016/17 re-stated**	**Difference**
	£'000	£'000	£'000
Overseas fixed interest managed fund	-	122,524	122,524
	-	122,524	122,524

Financial Asset Analysis (Note 14)	**2016/17**	**2016/17 re-stated**	**Difference**
	£'000	£'000	£'000
O.E.I.C.'s			
Overseas Fixed Interest - Quoted	123,663	1,139	-122,524
Overseas Fixed Interest - Unquoted	-	122,524	122,524
	123,663	123,663	-

N34 (b)

An investment valued at £1,816k in 2016/17 was classified as a UK property limited liability partnership . Following further investigation by the investment manager, this holding has now been deemed to be a UK property unit trust instead and the 2016/17 comparable figures have been amended to reflect that change in the Net Asset Statement, Note 4, Investment Movement Summary, Note 14, Financial asset analysis and Note 29, Financial Instrument Disclosure.

Net Asset Statement	**2016/17**	**2016/17 re-stated**	**Difference**
	Market Value	Market Value	
	£'000	£'000	£'000
Pooled investment vehicles	1,253,165	1,251,349	-1,816
Property unit trusts	133,718	135,534	1,816
	1,386,883	1,386,883	-

Investment Movement Summary (Note 4)	**2016/17**	**2016/17 re-stated**	**Difference**
	Market Value at 31st March 2016	Market Value at 31st March 2016	
	£'000	£'000	£'000
Pooled investment vehicles	952,078	950,233	1,845
Property Unit Trusts	127,532	129,377	-1,845
	1,079,610	1,079,610	-

	Change in market value during the year	Change in market value during the year	
	£'000	£'000	£'000
Pooled investment vehicles	267,004	267,033	-29
Property Unit Trusts	765	736	29
	267,769	267,769	-

	Market Value at 31st March 2017	Market Value at 31st March 2017	
	£'000	£'000	£'000
Pooled investment vehicles	1,253,165	1,251,349	1,816
Property Unit Trusts	133,718	135,534	-1,816
	1,386,883	1,386,883	-

Financial Asset Analysis (Note 14)	**2016/17**	**2016/17 re-stated**	**Difference**
	£'000	£'000	£'000
Limited Liability Partnerships			
UK - Property - Unquoted	3,947	2,131	-1,816
Property Unit Trusts			
UK - Unquoted	21,535	23,351	1,816
	25,482	25,482	-

Financial Instrument Disclosure (Note 29)

	Designated as fair value through P & L	Designated as fair value through P & L	
	2016/17	**2016/17 re-stated**	**Difference**
	£'000	£'000	£'000
Pooled investments	1,253,165	1,251,349	-1,816
Property Unit Trusts	133,718	135,534	1,816
	1,386,883	1,386,883	-

Fire Pensions Accounts

Fund Account for the year ended 31st March 2018

2016/17 £000		1992 FPS £000	2006 NFPS £000	Modified Scheme £000	2015 Care Scheme £000	Total £000
	Contributions Receivable					
	Fire Authority					
-1,425	contributions in relation to pensionable pay	-544	-16	-34	-703	-1,297
-	early retirements	-	-	-	-	-
-	other: Ill health retirement	-	-	-	-	-
	Firefighters' contributions					
-1,199	normal	-359	-16	-53	-611	-1,039
-6	other: Added Years	-5	-	-	-	-5
	Transfers in					
-1	transfers in from other schemes	-	-	-	-	-
-90	Additional Grant for Holiday Payments	-	-	-	-	-
	Benefits Payable					
5,004	pensions	5,303	14	43	-	5,360
1,767	commutations & lump sum retirement benefits	2,314	10	35	-	2,359
26	lump sum death benefits	-	-	-	-	-
	Payments to and on account of leavers					
-	refunds of contributions	-	-	-	-	-
-	transfers out to other schemes	-	14	-	1	15
4,076	**Net amount payable for the year**	**6,709**	**6**	**-9**	**-1,313**	**5,393**
-4,076	Top-up grant receivable / payable to central government	-6,709	-6	9	1,313	-5,393
-		-	-	-	-	-

Net Assets Statement for the year ended 31st March 2018

Total £000		FPS £000	NFPS £000	Modified Scheme £000	2015 Care Scheme £000	Total £000
	Net current assets and liabilities					
	Current Assets					
-	contributions due from employer	-	-	-	-	-
-4,076	pension top-up grant receivable from central government	-6,709	-6	9	1,313	-5,393
-	recoverable overpayments of pensions	-	-	-	-	-
	Current Liabilities					
-	unpaid pension benefits	-	-	-	-	-
-1108	amount payable to central government	-	-	-	-1,313	-1,313
-	other current lliabilities	-	-	-	-	-
5,184	amount owing to general fund	6,709	6	-9	-	6,706
-		-	-	-	-	-

NOTES

1 The Firefighters Pension Scheme is a defined benefit occupational pension scheme which is guaranteed and backed by law. From 1 April 2015, the Scheme changed from a Final Salary Scheme to a Career Average Revalued Earnings Scheme (CARE). The Firefighters pension fund is administered by the County Council. There are currently four pension schemes for fire officers, all of which are unfunded defined benefit final salary schemes. Unfunded means that there are no investment assets held to meet the pension liabilities as they fall due. The four schemes are:-

1992 Firefighters Pension Scheme (FPS- Closed to new members)

2006 New Firefighters Pension Scheme (NFPS - Closed to new members)

2006 Modified Firefighters Pension Scheme (Closed to new members)

2015 Firefighters Pension Scheme

Members starting after 1 April 2015, and members of the 1992 and 2006 Final Salary Schemes will move into the new 2015 Scheme, unless protections apply.

The fund is financed by contributions paid in by existing firefighters and the Fire Service with any balance receivable from or payable to the Home Office through the payment of the Fire Pensions Top Up Grant.

2 Employees and employers contribution levels are based on percentages of pensionable pay set nationally by the DCLG/WG and are subject to triennial revaluation by the Government Actuary's Department.

3 Pension benefits are payable from the fund in accordance with the relevant statutory provisions and include ordinary and ill-health awards. Any ongoing injury awards are not payable from the fund.

4 The fund has been prepared to meet the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. There are no administration charges included in the accounts and the fund's financial statements do not take into account any liabilities to pay pensions and other benefits after the period end.

5 The liability under IAS 19 is disclosed in note 32 of the Notes to the Accounts

Glossary of terms

Accounting Policies
Those principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in Financial Statements through recognising, selecting measurement bases for, and presenting Assets, Liabilities, Gains, Losses and changes to Reserves. Accounting policies do not include estimation techniques.

Accounting Standards
The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Council. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Accrual
An amount to cover income or spending that has not yet been paid but which belongs to that accounting period.

Actuary
An adviser on financial questions involving probabilities relating to mortality and other contingencies. Every three years the Scheme appointed actuary reviews the Assets and the Liabilities of the Fund and reports to the Group Director of Enabling & Transition on the financial position. This is known as the triennial actuarial valuation.

Active Investment Management
A style of investment management where the fund manager aims to outperform a benchmark by superior asset allocation, market timing or stock selection (or by a combination of all 3).

Actuarial Gains and Losses
For a Defined Benefit Pension Scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Admitted Body
An organisation that chooses and is allowed by the Scheme to be admitted to the LGPS using an Admission Agreement in order to provide access to the Scheme for some or all of its employees.

Amortisation
The writing down in book value of Intangible Assets to reflect the Asset's usage.

Additional Voluntary Contributions (AVC's)
Contributions over and above a member's normal contributions which the member elects to pay in order to secure additional benefits.

Benefits in Kind
Benefits in Kind are items provided to an employee on top of their salary that are considered to benefit the employee. Benefits in Kind can be varied and wide ranging. Some of the most common of these benefits include fuel allowances, leased cars, mobile phones, beneficial or low rate loans, and contributions to schemes such as private medical insurance.

Capital Expenditure
Includes spending on the acquisition, creation or enhancement of Assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Expenditure not falling within this definition must be charged to the General Fund as Revenue Expenditure.

Class of Tangible Fixed Assets
The classes of Tangible Fixed Assets required to be included in the accounting statements are:

Operational Assets
- Land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets

Non-operational Assets
- Assets under construction
- Surplus assets held for disposal.

Code of Practise (CODE)
A publication produced by CIPFA that provides comprehensive guidance on the content of a Council's Statement of Accounts.

Community Assets
Assets that the Council intends to hold in perpetuity that have no determinable useful life, which may have restrictions on their disposal. Examples of Community Assets are parks and historical buildings.

Consistency
The principle that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.

Contingent Asset
A Contingent Asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability
A Contingent Liability is either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core
The Corporate and Democratic Core comprises all activities which the council engage in specifically because it is an elected, multi-purpose council. The cost of these activities are over and above those which would be incurred by a series of independent, single purpose, nominated Bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Dedicated Schools Grant (DSG)
A specific Government grant which funds schools and schools related expenditure. The grant is ringfenced and can only be used in support of the School's budget.

Deferred Charges
Expenditure which may properly be deferred, but which does not result in, or remain matched with, assets controlled by the council.

Deferred Retirement Benefit
A benefit that a member has accrued but is not yet entitled to receive payment.

Depreciation
The measure of the cost or revalued amount of the benefits of the Fixed Asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a Fixed Asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the Asset.

Derivative
A security whose price is dependent upon, or derived from, one or more underlying Assets. The derivative itself is merely a contract between two or more parties. It's value is determined by fluctuations in the underlying Asset. The most common underlying Assets include stocks, bonds, commodities, currencies, interest rates and market indexes.

Disclosure
Information we must show in the accounts under the CIPFA code of practice.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the council’s discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

Estimation Techniques
The methods adopted by an Entity to arrive at estimated monetary amounts corresponding to the measurement bases selected for Assets, Liabilities, Gains, Losses and changes to Reserves. Estimation techniques implement the measurement aspects of Accounting Policies. An Accounting Policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique.

Events After the Balance Sheet Date
Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the Accounts.

Exchange Traded Funds (ETFs/ET’s)
A fund that tracks a selection or ‘basket’ of related securities within a Stock Market Index but can be traded on an Exchange like a stock or share.

Extraordinary Items
Material items possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fair Value
The amount for which an Asset could be exchanged or a Liability settled at arms length between knowledgeable parties.

Finance Lease
A Finance Lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Funding Level
The relationship at a specified date between the actuarial value of Assets and the Actuarial Liability, normally expressed as a funding ratio or percentage.

Futures Contracts
A contract which binds two parties to complete a sale or purchase at a specified future date at a price which is fixed at the time the contract is effected. Exchange Traded Futures Contracts have standard terms and margin payments are required.

Going Concern
The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the Accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

Government Grants
The assistance by Government and Inter-Government Agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the council.

Guaranteed Minimum Pension (GMP)
The minimum pension which a salary related Occupational Pension Scheme must provide in respect of contracted out contributions paid between April 1978 and 1997 as a condition of contracting out.

IFRS
These standards are issued by the International Accounting Standards Board. They are adapted under the auspices of CIPFA so as to apply to local authorities and consolidated in the Code of Practise on Local Authority Accounting.

International Accounting Standard (IAS) 19
International Accounting Standard (IAS) 19 outlines the accounting requirements for employee benefits, including short-term benefits (e.g. wages and salaries, annual leave), post-employment benefits such as retirement benefits, other long-term benefits (e.g. long service leave) and termination benefits. The standard establishes the principle that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable, and outlines how each category of employee benefits are measured, providing detailed guidance in particular about post-employment benefits.

International Financial Reporting Interpretations Committee (IFRIC) 12
The objective of IFRIC 12 is to clarify how certain aspects of existing International Accounting Standards are to be applied to service concession arrangements. A service concession arrangement is an arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure assets such as roads, bridges, tunnels, airports, energy distribution networks, prisons or hospitals. The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement.

Inventories
The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Impairment
A loss in the value of a Fixed Asset arising from physical damage such as a major fire or a significant reduction in market value. In addition a reduction in value where there is insufficient unrealised gains in the revaluation reserve for that asset. A loss in the value of a financial instrument arising from market conditions.

Infrastructure Assets
Fixed assets that are not able to be transferred and expenditure on which is recoverable only by continued use of the asset created. Examples of Infrastructure Assets are highways and footpaths.

Investment Management Agreement
The document agreed between an Investment Manager and the Fund setting out the basis upon which the manager will manage a portfolio of investments for the Fund.

LAAP
Local Authority Accounting Panel. The panel regularly issues LAAP Bulletins to local authority practitioners. These Bulletins provide guidance on topical issues and accounting developments and when appropriate provide clarification on the detailed accounting requirement.

Liquid Resources
Current Asset investments that are readily disposable by the council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Long-term Contracts
A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Managed Fund
An arrangement where the assets of a scheme are invested on similar lines to the operation of unit trusts by an external investment manager.

Market Value
The price at which an asset might reasonably be expected to be sold in an open market.

Membership
Local Authority employment during which time pension contributions were made or deemed to have been made providing entitlement to benefits under the scheme.

Net Book Value
The amount at which Fixed Assets are included in the Balance Sheet, i.e. at their historical cost or current value less the cumulative amounts provided for depreciation.

Non-Operational Assets
Fixed Assets held by a council but not used or consumed in the delivery of services or for the service or strategic objectives of the council. Examples of Non-Operational Assets include investment properties and assets that are surplus to requirements, pending their sale.

Open Ended Investment Company (OEIC)
A pooled investment vehicle structured as a limited company in which investors can buy and sell shares on an ongoing basis.

Operating Leases
Under this type of lease, the risks and rewards of ownership of the leased goods stay with the company leasing out the goods.

Operational Assets
Fixed assets held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the council.

Options
The right but not the obligation to buy (call option) or sell (put option) a specific security at a specified price (the exercise or strike price), at or within a specified time (the expiry date). This right is obtained by payment of an amount (known as the premium) to the writer (seller) of the option, and can be exercised whatever happens to the security's market price.

Over The Counter (OTC)
A market that is conducted between dealers by telephone and computer and not on a listed exchange.

Past Service Cost
For a Defined Benefit Scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pensionable Earnings
The earnings on which benefits and/or contributions are calculated under the scheme rules.

Pension Interest Cost and Expected Return on Pensions Assets
For a Funded Defined Benefit Scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Pooled Investment Vehicle
A fund in which a number of investors pool their assets which are managed on a collective basis. The assets of a pooled investment vehicle are denominated in units that are revalued regularly to reflect the values of underlying assets. Vehicles include open ended investment companies, real estate investment trusts and unit trusts.

Prior Period Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method
An Accrued Benefits funding method in which the actuarial liability makes allowance for projected earnings. The standard contribution rate is that necessary to cover the cost of all benefits which will accrue in the control period following the valuation date by reference to earnings projected to the dates on which benefits become payable.

Public Works Loans Board (PWLB)
A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.

Quoted Investments
Investments that have their prices quoted on a recognised stock exchange.

Realised Gains/ (Losses)
Profit/(losses) on investments when they are sold at more/(less) than the purchase price.

Related Parties
Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party, or
- The parties are subject to common control from the same source, or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests, or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of the Council include:

- Central Government
- Local Authorities and other bodies precepting or levying demands on the Council Tax
- It's subsidiary and associated companies
- It's joint ventures and joint venture partners
- It's Members
- It's Chief Officers, and
- It's Pension Fund.

For individuals identified as related parties, the following are also presumed to be related parties:

- Members of the close family, or the same household, and
- Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

Related Party Transaction
A Related Party Transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- The purchase, sale, lease, rental or hire of assets between related parties
- The provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party
- The provision of services to a related party, including the provision of pension fund administration services
- Transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

Remuneration
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserves
Amounts set aside in one year's accounts to be spent in future years. Some reserves are earmarked for specific purposes and other general revenue balances are available to meet future revenue and capital expenditure.

Residual Value
The Net Realisable Value of an Asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Scheduled Bodies
Local authorities and similar bodies whose staff are entitled automatically to become members of the Local Authority Pension Fund.

Segregated Fund
Where the assets of a particular fund are managed independently of those of other funds under the fund manager's control.

Service Reporting Code of Practise (SeRCOP)
Councils have different structures for services or departments, which may have different responsibilities, making comparisons between them difficult. To help make comparisons, CIPFA uses a Code of Practice which provides standard categories for both services (departments) and expense types. The CIPFA Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP) from 2011/12. SeRCOP establishes proper practices with regard to consistent financial reporting for services. It is expected that CIPFA members will comply with all the mandatory requirements of SeRCOP as it defines best practice in terms of financial reporting. SeRCOP is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and Public Services reform.

Soft Loans
Loans, normally to voluntary sector organisations, below the market rate of interest.

Specialist Management
A fund management arrangement whereby there are separate accounts or contracts with one or a variety of managers for specific asset classes. Each manager focuses mainly on stock selection within the asset class while the Pension Committee/trustees determine allocations to each asset class.

Tangible Fixed Assets - Property Plant & Equipment
Tangible Assets that yield benefits to the council and the services it provides for a period of more than one year.

Transfer Payment
A payment made from a pension scheme to another pension scheme in lieu of benefits, which have accrued to the member or members concerned, to enable the receiving arrangement to provide alternative benefits.

Transfer Value
The amount of the transfer payment.

Trust Funds
Funds administered by the Council on behalf of others for such purposes as prizes, charities and specific projects.

Unitised Insurance Policy
Investors are issued with a life policy representing title. Investors' 'holdings of units' represent a means of calculating the value of their policy. The Life Fund/Company holds the pool of investments and is the owner of all the assets. The activities of Life Companies are regulated by the FSA.

Unit Trust
Unit Trusts are collective funds, which allow private investors to pool their money in a single fund, thus spreading risk, getting the benefit of professional fund management and reducing dealing costs. Unit trust trading is based on market forces and their Net Asset Value - that is, the value of their underlying assets divided by the number of units in issue. The activities of unit trusts are regulated by the FSA.

Unquoted Investments
Investments which are dealt in the market but are not subject to any listing requirements and are given no official status.

Useful Life
The period over which the council will derive benefits from the use of a fixed asset.

Unrealised Profit
This is the anticipated profit that would be generated from selling the asset.

Usable Capital Receipts
The proportion of the proceeds arising from the sale of fixed assets that can be used to finance capital expenditure or repay debt.

Venture Capital
The term used to describe a subset of private equity covering the seed to expansion stages of investment.

Abbreviations

BVACOP	Best Value Accounting Code of Practice
CFR	Capital Financing Requirement
CPFA	Chartered Public Finance Accountant
CPI	Consumer Price Index
DCLG	Department of Communities and Local Government
DEFRA (Defra)	Department for Environment, Food and Rural Affairs
DSG	Dedicated Schools Grant
FPS	Firefighters Pension Scheme
FSA	Financial Services Authority
GCC	Gloucestershire County Council
GFRS	Gloucestershire Fire and Rescue Service
GSWBP	Gloucester South West Bypass
HMRC	Her Majesty's Revenue and Customs
IAS	International Accounting Standard
ICES	Integrated Community Equipment Service
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISB	Individual School Budget
IT	Information Technology
LAAP	Local Authority Accounting Panel
LAMS	Local Authority Mortgage Scheme
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LATS	Landfill Allowances Trading Scheme
LEP	Local Enterprise Partnership
LGPS	Local Government Pension Scheme
LOBO	Lender Option Borrower Option (Loans)
MRP	(Statutory) Minimum Revenue Provision
NFPS	New Firefighters Pension Scheme
NHS	National Health Service
NNDR	National Non-Domestic Rates
NPV	Net Present Value
PCT	Primary Care Trust
PFI	Public Finance Initiative
PPP	Public-Private Partnership
PPE	Property Plant and Equipment
PWLB	Public Works Loans Board
RCCO	Revenue Contribution to Capital Outlay
RPI	Retail Price Index
RSG	Revenue Support Grant
SeRCOP	Service Reporting Code of Practice
SORP	Statement of Recommended Practice
TOIL	Time Off in Lieu
TPA	Teachers' Pensions Agency
VRP	Voluntary Revenue Provision
WG	Welsh Government

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