

Statement of Accounts

2018-19



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Foreword to Narrative Report

Gloucestershire County Council continues to face considerable challenges at the same time as real 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 funding restrictions. 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 2018/19 strategy - Together We Can – Our Plan for Gloucestershire 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 now have a new Council Strategy, 2019–2022, 'Gloucestershire Looking to the Future' which is designed to address future challenges and make the most of new opportunities. We want a shared vision with the people and communities of Gloucestershire that reflects what matters to them and sets high expectations for the future.



Cllr Mark Hawthorne
Leader



Peter Bungard
Chief Executive

Director of Finance's Narrative Report

Introduction

Welcome to Gloucestershire County Council's Statement of Accounts for 2018/19. 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.

For 2018/19 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 2019.

Our 2018/19 audited Statement of Accounts need to be submitted to the Council's Audit & Governance Committee (our appropriate body) for approval by 31st July 2019, following a thirty day public inspection which must include the first ten working days in June.

In line with last year, our 2018/19 Statement of Accounts have been prepared, to adhere to the statutory deadline, with the Statement of Accounts being available to our auditors, Grant Thornton, on 31st May 2019. 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 2019 followed by an explanation of the financial statements, including information on significant transactions during 2018/19.

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 2019 and enable you to understand the key issues. It does this by providing an analysis of the budgeted and actual net expenditure for 2018/19 based on the management accounts, and then provides a summary of the key financial statements included within the statutory final accounts.

Our Context

Gloucestershire is a great place to live, work and do business. Most local people enjoy a high standard of living; and our levels of health and wellbeing are comfortably above the average for the country. Local people are well-educated, unemployment is low and Gloucestershire's economy is strong and resilient.

Our natural environment is incredibly varied with 38 landscape character types, 143 Sites of Special Scientific Interest and 3 Areas of Outstanding Natural Beauty which covers 51% of the county's area, as well as nature reserves and other natural assets.

However, there are areas of the County where residents' outcomes fall well below national averages and where, as a result, local people are more likely to depend on the services we provide in order to meet their needs. 20,000 people (3.4% of the county's population) live in areas amongst the most deprived 10% in England.

As well as being one of its best assets, the rural nature of the County makes it difficult for some people to access the services they need and three out of every twenty Gloucestershire households has no access to a car or van.

Gloucestershire is growing more slowly than England as a whole with a rise of approximately 40,900 people since 2005. The population is also changing. The number of older people is predicted to continue to rise sharply over the coming years, and the biggest increases will be seen in the number of over-85s. As this is the age group most likely to need support from the Council, this means that health and care services need to be ready to respond to greater numbers of people with higher levels of health needs.

Meanwhile, the child population is increasing at a slower rate, yet we will still see increases in demand for school places over the next 5 to 10 years, and demand for services for vulnerable children is increasing in line with national trends.

Conversely, there is expected to be no growth in the number of working-age adults in the County, meaning that, as a proportion of the population as a whole, the number of people who are more likely to rely on the Council for support is increasing.

While these issues are not unique to Gloucestershire, they do pose significant challenges. We need to be imaginative about how we deliver services, help people to stay healthier longer, build communities that are resilient and provide the help and support needed.

Council Strategy

The Council's vision, values, aims and medium term priorities are brought together each year in a single Council Strategy. The Council Strategy for 2018/19 set out the longer term aims and ambitions for Gloucestershire and outlined the priorities and programmes which underpin these aims.

Overall

The Council Strategy for 2018/19 was based on the following main areas:

Protecting the most vulnerable people in our county

This is our most important responsibility. Providing support for vulnerable people accounts for 38% of our budget. Our focus was and remains to improving outcomes where need is the greatest and on providing services that the most vulnerable children, young people and adults can rely on.

This included:

- managing demand for services for vulnerable people by adopting an "asset based" approach, which means focussing on what people can do to help themselves and connecting them with the support that is available to them from their families, communities and other networks;
- encouraging and supporting people to choose healthy lifestyles to prevent problems in later life and focusing our help on those communities most at risk of poor health outcomes;
- When people or families need our help, making it our first priority to give them focussed, short-term support that helps them back to independence, then allows them to get on with their lives.

This approach allowed us to continue to target our resources on providing ongoing help for the most vulnerable children, young people and families. In support of this, we will invest an extra £21m into social care to help the most vulnerable. We adopted an extensive Improvement Plan (Cabinet 18 September 2017) in order to ensure that we can provide and sustain the best service possible to vulnerable children and young people within our county.

Building sustainable communities

Communities are the lifeblood of our county. The Council recognises it has an important role to play in supporting communities. This has long been the focus of elected members as democratically elected champions of their residents. Elected members help to understand what local communities want and need, and spend time dealing with the concerns and issues of their residents. We encourage parish councils and other community organisations to work with us to provide local services and build supportive, resilient communities.

We provide a range of community services that benefit the whole population such as libraries, youth services, archives, fire & rescue, trading standards and registration of births, marriages and deaths. Our strategy focusses on making sure that these services are delivered in a way that is sustainable so that we can protect them for future generations. They require some specialist professional skills and support that the Council can bring. However, we also recognise the invaluable support that volunteers, charities and community groups bring as well as being responsive in tailoring services to local circumstances.

Whilst we will always respond to emergencies through the Gloucestershire Fire and Rescue Service, working with 'blue light' partners, we are increasingly putting our energies into prevention. GFRS have a vital job in advising and helping to protect vulnerable people and this will continue through a new Integrated Risk Management Plan.

We also continued to put resources directly into the hands of County Councillors so that they can respond quickly and easily to priorities and needs that arise on their patch and work with their constituents to find creative solutions to the problems they face.

We continue to work with partners and local groups to provide community based support that helps people to remain independent and resilient at times of crisis and we will help people to connect to the help that is available within their communities wherever possible.

Our asset-based approach still emphasises the role of carers, family and communities in helping and will work to make sure that the care we provide links in with other forms of support wherever available.

Investing in vital services and infrastructure

Our services and infrastructure such as the road network, internet access and waste disposal are a vital part of everyday life for everyone in the county and for a thriving local economy.

We have a clear long term plan to improve the road network across Gloucestershire. We are investing £150m over a five year period, our biggest ever investment in roads. We are doing all we can to help UK government push ahead with the £255m improvement work on the A417 at Birdlip.

We have already invested over £29m towards our aim of bringing broadband to all homes in the county.

Growing our economy

Economic prosperity is vital for a successful county. We continue to work with partners to invest in Gloucestershire's future, including attracting external resources into the county.

In order to meet the needs of the future population our strategy is to make sure that we keep and attract the skills that the County is going to need to sustain its workforce and drive its economy. To that end, we worked with partners across the private and public sector to develop and agree a new vision for Gloucestershire in 2050.

Alongside that, we are committed to helping the County's young people to develop skills and knowledge. We worked with local employers to create 5,000 new apprenticeships, at least 2,000 of which will be in engineering and secure £100m to upgrade local schools, including a brand new secondary school for Cheltenham.

Creating a council that is fit for the future

As the needs of our people and communities changes, then so must Gloucestershire County Council. We have successfully responded to new challenges over the years. Our strategy recognised that we must continue to plan ahead for the future, anticipating changes and developing new solutions.

Over the past decade, during a period of austerity, the County Council has managed its finances well. We have made savings in excess of £225m, sold 91 council buildings in order to pay off Council debt and reduced the headcount of Council staff by 40%. We expect to be dealing with a financial gap between service pressures and available resource for at least the next 3 years. Our approach first set out as “Together we can” is working and will continue to help address future challenge

Through our emphasis on commissioning rather than directly providing, we have already brought a more commercial approach and mind-set to the way that we develop and procure services. We are exploring options for developing the Council’s property portfolio and looking for opportunities to trade a broader range of services to other public sector partners.

We continue to keep council tax rises low, despite tough savings from the government and recognise the need to review all areas of service provision in order to make sure that services are financially sustainable. Finally, we are investing in our most important asset – our staff. We need the right people with the right skills and support so that they can do the jobs that we all rely on.

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.

During 2018/19, we have: -

- Delivered £18.345 million 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 capital receipts and revenue savings through the sale of Council property that is no longer required.

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.

Since the Inspection a new senior leadership team has been put in place within Children's Services and 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 continued to work closely with the Department for Education, Ofsted and our Improvement Partner Essex County Council to implement our Improvement Plan. In total to the end of March 2019 there have been 5 monitoring visits from Ofsted and these have identified that positive progress has been made in safeguarding services although the pace of change has been challenged. The improvement journey continues with a further monitoring visit taking place in May 2019.

The Council continues to recognise the need to invest in the service to support sustained improvement and where demand for services are currently rising, with £24.5 million invested permanently in Children's Services since 2016/17 and an additional £10.3 million allocated in 2019/20. This investment has supported the reshaping of the social care workforce and funded the cost pressures within placement budgets which the service is experiencing.

One-off funding has also been approved to support the implementation of the Improvement Plan. As part of the budget in 2018/19, £1.12 million was allocated towards 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.

During 2018/19 further funding totalling £1.49 million was provided to address the issue of the recruitment and retention of social workers with changes made to pay scales and allowances. In addition to this overspends on agency staff and placement budgets were also absorbed by the Council. Also a further £2.4 million one-off funding has been approved in the 2019/20 budget to fund placement and improvement plan costs.

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 continues to be awaited 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 continues to be 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 these changes. Communicating our intentions and listening to the voice of those we support is 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.

Gloucestershire Fire and Rescue Service (GFRS)

A whistleblowing allegation covering probity issues in GFRS was received by the Council. This resulted in an independent investigation by Internal Audit. On completion of this investigation Internal Audit reported to management outlining recommendations, which formed the basis of an action plan. The allegations in relation to the sale of a land rover defender have been passed to the police.

This action plan and progress against it has been overseen by the Audit and Governance Committee (AGC), thereby providing the relevant assurances that these recommendations are being addressed in a timely manner. The Internal Audit GFRS Investigation report and associated action plan was presented to the AGC on 12th October 2018.

Additional Actions taken in response to the above:

- A Scrutiny Task Group was set up to review the GFRS culture;
- Progress against each action continues to be provided to the AGC until all actions have been fully completed to the satisfaction of the AGC. To date progress reports have been presented to the AGC on 25th January 2019 and 25th April 2019; and
- All internal audit activity that has provided a limited assurance opinion on the control environment will be followed up by Internal Audit in 2019/2020.

Energy from waste facility

Urbaser Balfour Beatty Gloucestershire has announced that the Gloucestershire Energy from Waste facility is now preparing to enter the hot commissioning phase. This construction milestone will begin in June, and is a statutory requirement of all Energy from Waste facilities before they can commence operations.

Following independent certification that the facility is fit for operations the asset and long term obligation liability will be brought on to GCC's balance sheet and included in the financial statements for 2019-20.

The Gloucestershire Energy from Waste facility is designed to divert over 90% of Gloucestershire's household waste from landfill in Gloucestershire by using tried and tested technology whilst complementing the county's reduce, reuse and recycling activities. Aside from treating residual waste, which cannot readily be recycled or composted the facility will generate the equivalent electricity to power 25,000 homes and Gloucestershire County Council estimated that the new residual waste facility will save the Council £100 million by the end of the 25 year contract compared with landfill. The savings excludes the benefit of reducing the production of CO2 by around equivalent of 40,000 tonnes per annum.

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 making the best use of technology.

Workforce Headcount

Gloucestershire County Council employed 3,731 individuals as at 31 March 2019, this includes 456 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.

We have developed a Workforce Strategy 2019-22 which recognises that the Council is a major stakeholder and influencer on behalf of the people of Gloucestershire and we play a leading role amongst a wide range of partners in delivering public services. We have an ambition to transform and strengthen community services and this strongly influences our view of what comprises 'the workforce'. It is our aim to innovate and adapt to achieve the delivery of our statutory responsibilities and to continually improve the quality of services delivered. Therefore we will develop our workforce to be motivated and skilled to work creatively, flexibly and efficiently, with our Council core values; accountability, integrity, empowerment, respect and excellence, at the centre of what we do.

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.

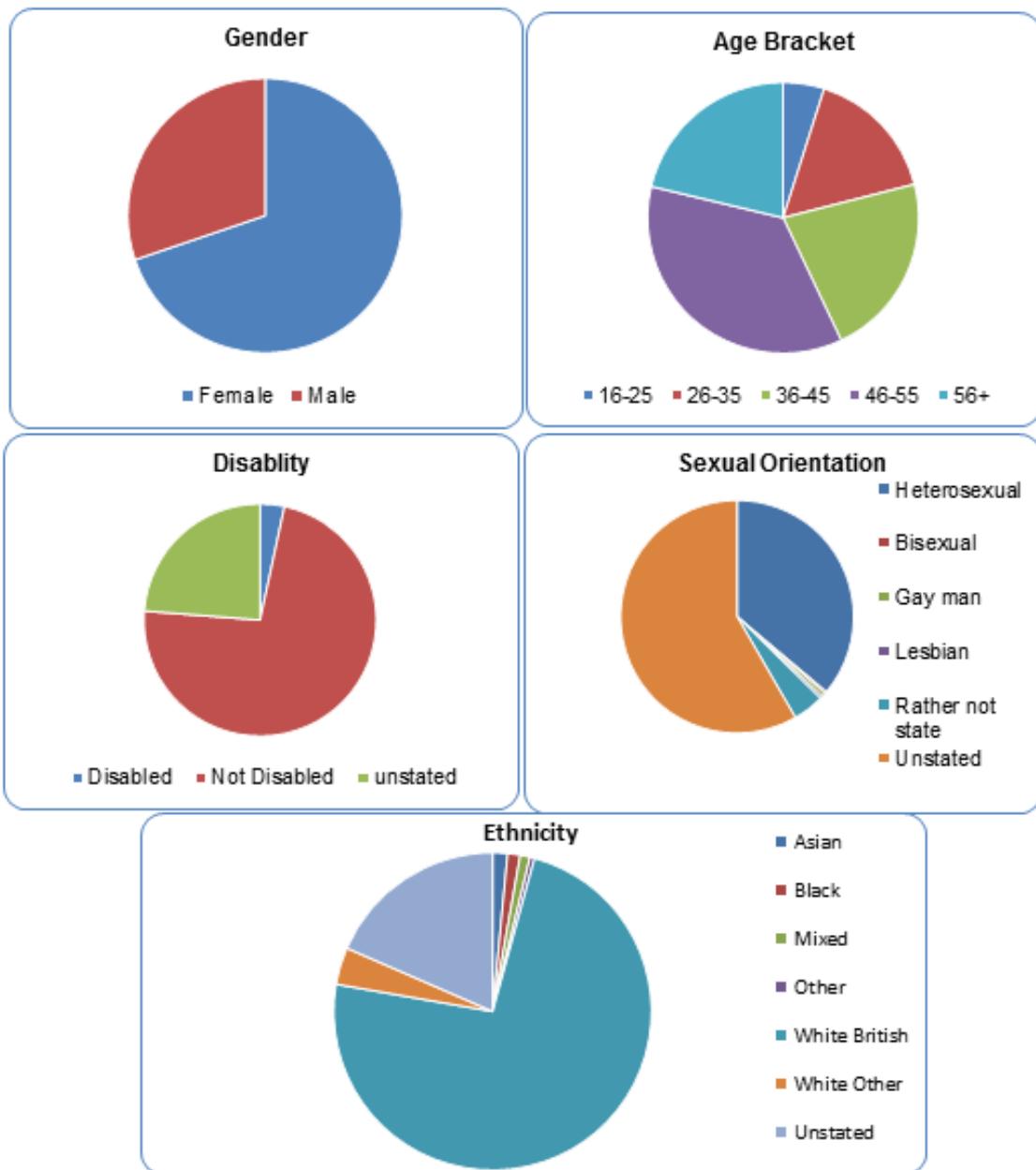
The general duty requires the Council to have due regard to the need to:

- 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 and our policies reflect that approach.

The Council's most recent annual Equalities Report (2018) is based on the 3,702 employees as at 1st April 2018. 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.

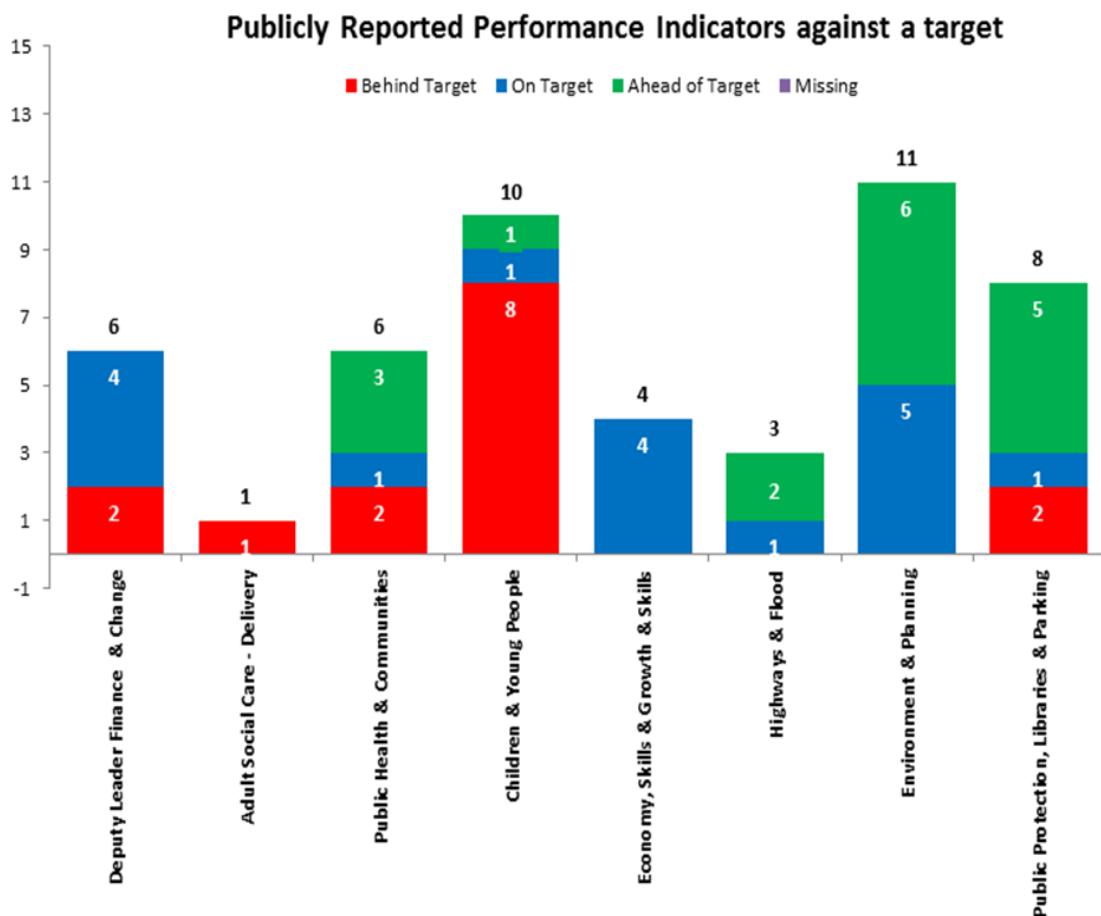
The Council's workforce profile (as at 1 April 2018) is illustrated in the following graphs and is based on the data that is submitted by our workforce. We continue to encourage people to report openly so that our policies are as fully informed by staff feedback as they can be.



Further information from the Council's 2018 Workforce Equalities Report can be found on the Council's website at: <https://www.goucestershire.gov.uk/council-and-democracy/equalities-and-our-duties-under-the-equality-act-2010/equality-information-and-analysis/>

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.



At the end of the year (March 2019), the Council had met or exceeded 69.4% of the indicators within the core dataset, against 65.3% at the end of 2017/18

Children's Services

The number of contacts into the MASH (Multi-Agency Safeguarding Hub) has been reducing over the course of the year, and performance on decision-making within 24 hours was good at the end of the year.

While the number of referrals into children's social care has reduced slightly over the course of the year, it remains high compared to statistical neighbours. The rate of re-referrals has been improving over the course of the year, and in quarter 4, fell within target levels. This brings us in line with the South-West average, but leaves our rate of re-referrals slightly higher than our statistical neighbours.

Performance in seeing children in a timely way following referral has not improved significantly and remains an area of concern and of significant focus within the Accelerated Improvement Plan.

The percentage of single assessments completed within 45 working days has declined slightly over the second half of the year, albeit against an increasing volume of assessments, and the extent to which assessments are overdue is significant for a small number of children. A high proportion of assessments result in no further action.

Despite there being high numbers of children receiving support from social care, the vast majority of Children in Need and children on Child Protection Plans receive regular, timely visits.

Timeliness of Initial Child Protection Conferences has improved from a very low level of performance at the beginning of the year, but began to slip back during quarter 4, with 60% held on time across the quarter.

The percentage of children becoming subject to a child protection plan for a second or subsequent time increased during quarter 3, and remained high during quarter 4 as the result of a sharp increase in March.

The number of children in care has continued to grow and we ended the year with 716 children in care. A high proportion of these are children who have had a previous episode in care. The percentage of children experiencing 3 or more placements during their current period of care has risen during the year, but compares favourably to good/outstanding local authorities. The percentage of children in a stable placement (lasting 2 years or more) has declined since quarter 3 and, for this measure, we are significantly worse than good/outstanding authorities. Our revised sufficiency strategy aims to increase the quality and range of options for children in care, which in turn will support improved stability.

The number of children becoming adopted was low for the second quarter running. There is some evidence that the uncertainties around the commencement of Adoption South West are affecting performance, and it is anticipated that performance will improve again once the new arrangements bed in.

The number of young people not in education, employment or training has reduced slightly since last year, and performance remains in line with our statistical neighbours.

The number of pupils permanently excluded from school continues to be high. Permanent exclusions appear to be decreasing slightly in the primary sector, where schools are embracing new ways of working with the council, but this is more than offset by an increase in exclusions by secondary schools.

The percentage of pupils attending good/outstanding schools remains below target for both primary and secondary schools. We do expect to see an improvement in both these indicators within the next 6-12 months when those schools currently judged as requiring improvement are re-inspected.

Adult Services

The percentage of calls offered to the customer contact centre that were answered increased during the final quarter of the year, having been off track at the end of quarter 3. This improvement was the result of increased numbers of staff completing their training and being available to support the service, and the fact that the seasonal increase in call volumes was lower than expected.

Demand across community-based, residential and nursing care has consistently reduced over the course of the year as a result of the demand management initiatives and interventions that have been implemented through the Adult Single Programme. However, people with dementia have continued to account for an increasing proportion of those in residential and nursing care.

The rate of admissions of older people to residential and nursing care was significantly lower than in previous years, and exceeded targets. However, the rate of admissions of 18-64 year olds was slightly above target. Demand management interventions with people with Learning Disabilities has been more focussed on people with existing care packages, as the cohort of entrants into long-term care is relatively small.

The rate of delayed transfers of care attributable to social care ended the year slightly higher than in March 2018 (4.75 per 100,000 compared to 4.61). This places Gloucestershire close to the England average but significantly better than the average for Shire counties and for the South West as a whole.

There has been a concerted effort to reduce waiting lists over the course of the year, resulting in a 42.8% reduction in the number of clients on locality waiting lists since April 2018.

However, the number of clients who have had a review or reassessment of their needs within the last 12 months has declined over the course of the year from 78% to 59%.

There has been a slight upward trend in the number of AMHPs (Approved Mental Health Professionals) assessments undertaken during the year, but a significant reduction in the percentage of those leading to no further action from 49.9% in March 2018 to 39.2% in March 2019.

The target for the percentage of clients receiving self-directed support was narrowly missed (87.8% against a target of 90%) following a drop in performance during quarter 4. This is no longer a strategic priority for adult social care and the indicator is being removed from the corporate dataset for 2019/20.

There have been small increases in the percentage of adults with a learning disability in settled accommodation and in paid employment, building on already strong performance against these indicators.

The percentage of adults receiving secondary mental health services in employment and in settled accommodation have both fallen during the year, but both remain above target and compare well with comparator authorities.

Public Health/Prevention, Wellbeing and Communities

The uptake of NHS health checks has been higher in Gloucestershire than the regional or national average. However, uptake did decline during the final quarter of the year, taking the indicator off-target at year-end.

The performance of the Healthy Lifestyles contract also declined during the final quarter. Fewer people accessed the service and a lower percentage of those achieved a significant improvement in their risk factors when compared with the quarter 3 and with the same time last year. However, the contract continues to be regarded as performing well overall, with 86% of people making some improvement in their risk factors, and 72% making a significant improvement over the course of the year. There was a marked increase in the number and percentage of customers demonstrating a significant improvement in their mental wellbeing over the quarter.

The number and percentage of smokers who achieved a successful 4-week quit has increased during quarter 4. Amongst pregnant smokers, the number of people setting a quit date has increased, but the success rate has declined slightly. Nevertheless, success rates remain significantly higher than national benchmarks. The service is recruiting two additional posts to support the maternity system which should improve the reach of the service going forward.

Following declining performance in the first half of the year, improvement in Drug and Alcohol treatment has been sustained for the second quarter running, and year-end targets have been met or exceeded.

The Health Visiting service continues to perform well, with the vast majority of children being visited within timescale, and the most vulnerable children followed up until a visit takes place.

Performance is good against the majority of indicators of sexual health, but the county continues to have a high percentage of late diagnoses of HIV. While the county has relatively few cases of HIV, public health are working with specialists in PHE and with local stakeholders to understand the causes and to take forward action to address them.

Communities & Infrastructure

Throughout the year, the council contracted to deliver £67.6m of growth deal funding and signed planning agreements worth £7.76m towards investment in county council infrastructure. Broadband coverage continued to increase with 94.4% of premises having access to next generation broadband by the end of the year (from 92.1% at March 2018).

Renewable energy generation from the County's estate has continued to increase and ended the year 18% higher than the previous year. We have also exceeded our annual targets for carbon reduction.

Waste performance was also good with all targets being met or exceeded. Waste arisings were significantly below target and slightly lower than last year. Recycling rates reduced slightly as a result of wood waste being sent as biomass for energy recovery, which means it is no longer classified as being recycled despite the fact that it doesn't

contribute to landfill. The percentage of household waste sent to landfill remains better than target.

Highways performance was strong in the final quarter of the year with targets for 24-hour and 28-day defects exceeded. The target for 2-hour emergency defects completed on time was missed, but within the context of the Amey contract coming to an end.

Having been behind schedule at the end of quarter 3, the gulley-emptying programme was brought back on track by the end of the year.

Performance also recovered for the percentage of Sustainable Urban Drainage responses made to local planning authorities within 21 days.

The number of people accessing Adult Education who began apprenticeships was higher than in the two previous years.

The number of concessionary fare journeys has increased over the course of the year, but reduced in quarter 4. The total number of passenger journeys by bus has also increased over the year, but reduced slightly during quarter 4, following the usual seasonal pattern. Subsidies per journey remain within our target range at year end.

Income from parking permits and waivers came in slightly above expected levels, while seasonal fluctuations meant that pay and display income was slightly down on the previous quarter, while remaining broadly on track over the full course of the year.

Libraries performance has remained relatively steady across the year with a continuing gradual shift away from physical stock towards electronic stock, and a slight increase in visits overall.

Trading standards achieved a positive outcome with respect to 93% of its activities, exceeding the target for the final quarter. The number of complaints of scam activity to Trading Standards has continued to be lower than the previous year (as reported in previous quarters), but targets were exceeded for responding quickly to cases involving vulnerable individuals.

99% of births were registered in a timely way, but only 86% of deaths were registered within 5-days against a target of 90%. Nevertheless, this was an improvement from 78% the previous year.

Fewer people were killed or seriously injured on the county's roads than last year, and the number of children killed or seriously injured was significantly lower (though given the small numbers concerned, this data is often subject to significant fluctuation)

The number of accidental dwelling fires reduced significantly during quarter 4 and was 12% lower than for the same period last year, having been high in the previous two quarters. The target for response times dwelling fires was exceeded.

2,025 safe and well visits were undertaken during the quarter, which was significantly below target the target of 2,750 and lower than the number of visits undertaken during the equivalent period last year. However, the percentage of those visits for those in high risk groups remains comfortably above target.

Core Council

The annual target for funds raised from asset sales was missed by some margin as a result of delays in achieving planning approval, but the overall 3-year savings target is still expected to be met in full.

Sickness absence levels improved in quarter 4, but remained off-target for the year as a whole as a result of previous quarters' performance. However, they ended the year lower than for 17/18.

There was a substantial increase in the number of official requests for information received. Despite this, the percentage of requests processed within legal time limits improved during quarter 4, and ended the year above target. One decision notice was received from the ICO during the year, regarding the council's handling of a subject access request. A review of the request has been undertaken and the ICO is satisfied with the steps we have put in place to prevent reoccurrence

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 October 2018 the Autumn Statement set out the strategic direction for public expenditure for 2018/19. 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.

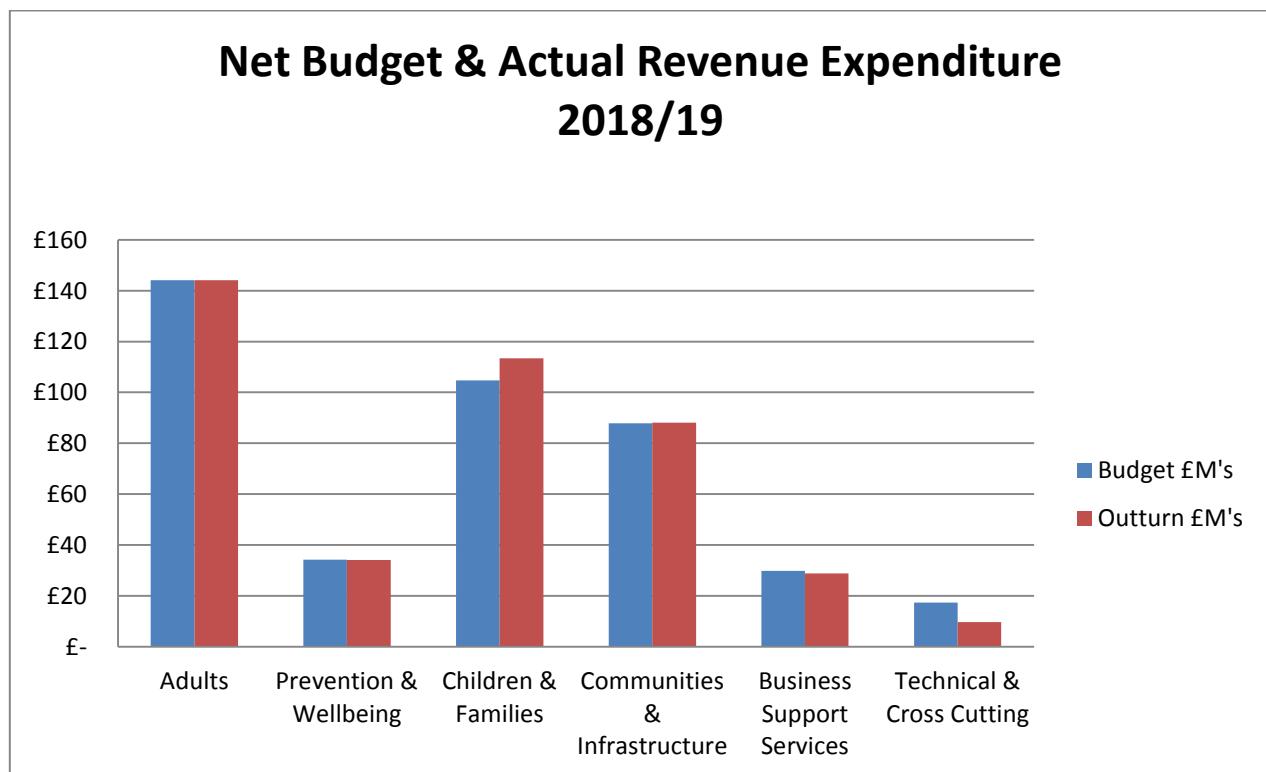
Revenue Budget and Outturn Position

The approved budget for 2018/19 was £418.081 million which represented an increase in cash terms of £10.38 million, compared with 2017/18. It should be noted that £4.6 million of the increase is due to one off additional budget from the Business Rates Retention Pilot. Under this budget Council Tax increased by 2.49% and an additional 2% National Social Care Precept was applied, taking the overall increase to 4.49%.

The 2018/19 budget was the first year of the current Meeting the Challenge 3 Savings Programme. During the year the Council delivered £18.345 million of savings to address year on year funding reductions and fund unavoidable inflationary cost increases.

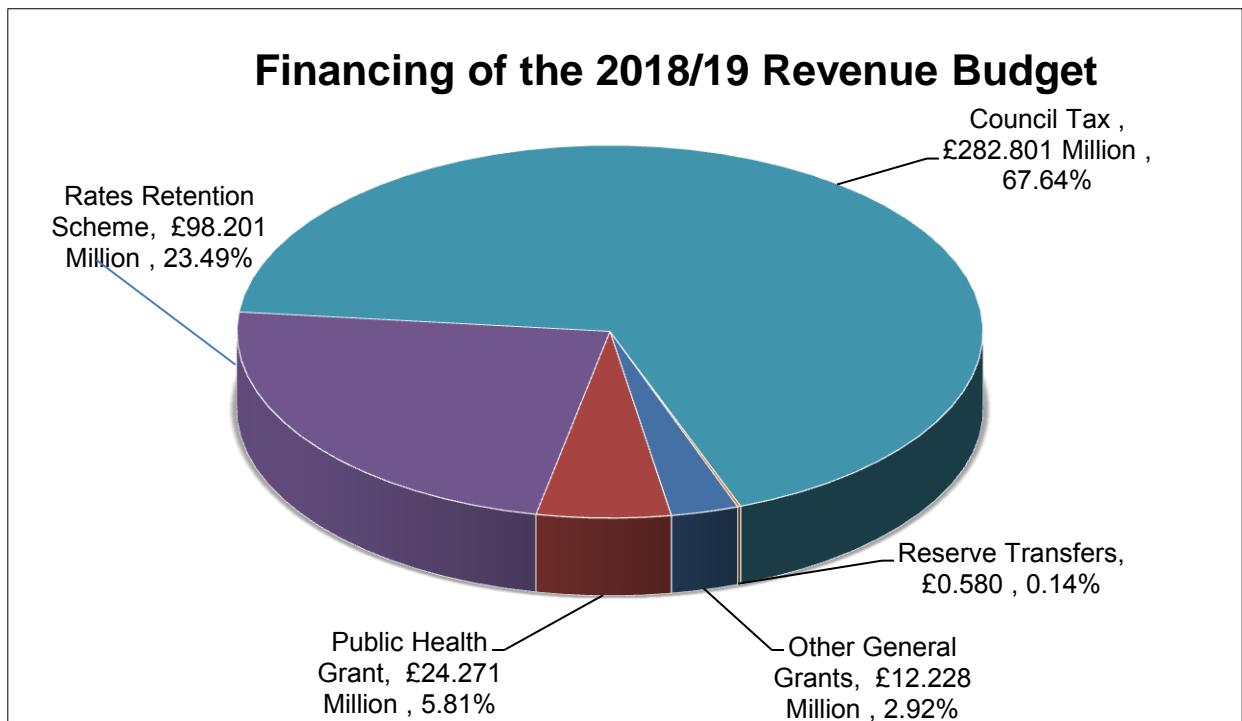
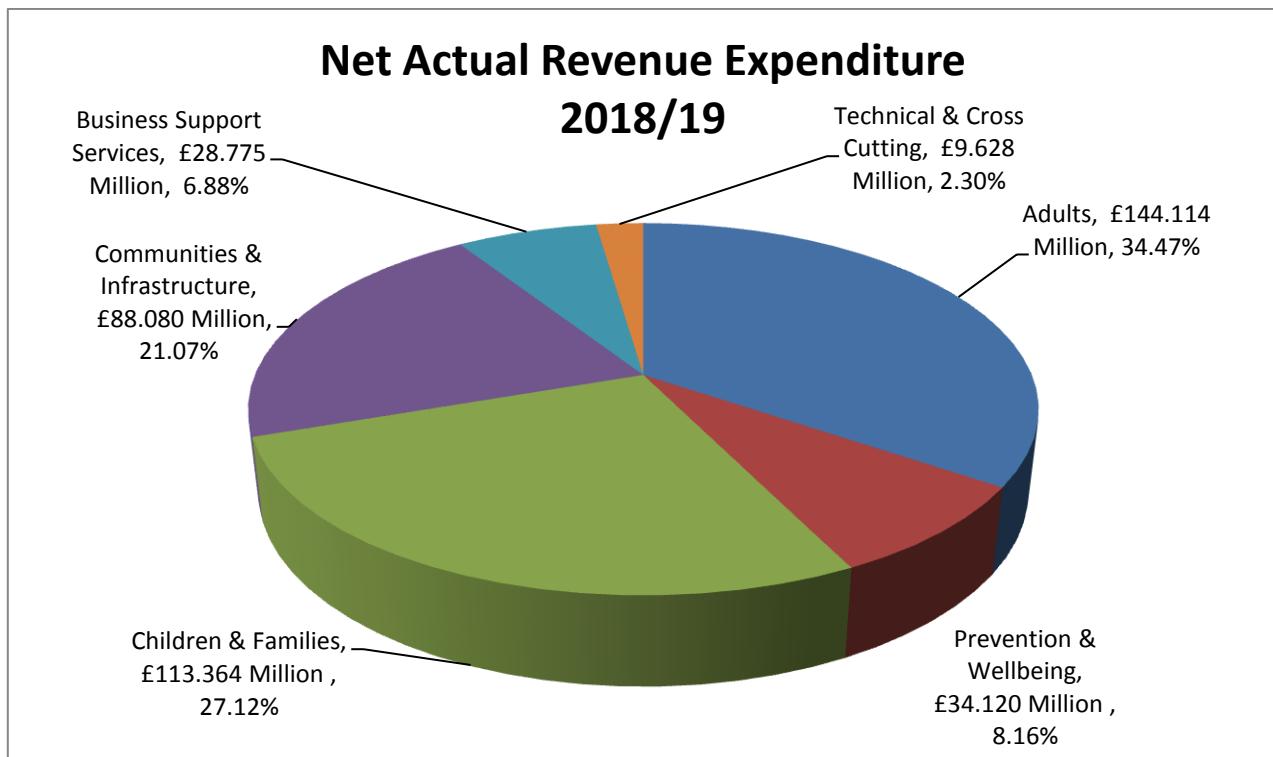
The revenue budget strategy for 2018/19 was to continue to maximise the delivery of efficiencies whilst protecting front line services. The Council is committed to robustly controlling budgets, repaying external maturing debt and continuing to streamline back office services all of which contribute to 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 42), the 2018/19 outturn position was an underspend of £2.905 million, which has been balanced by transferring £2.855 million to the Transformation reserve for future transformation initiatives and £0.05 million to a Vision 2050 working fund. 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 2019, which is available on the Council's website.

The outturn position for 2018/19 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 2018/19 are shown in note 2 on page 42 of the accounts, with the summary position outlined below:

Type of Revenue Reserves	Balance at 1 st April 2018 £ Millions	Balance at 31 st March 2019 £ Millions
Earmarked Revenue Reserves – Non Schools	119.317	135.014
Earmarked Reserves – Schools	20.520	18.263
General Fund Balances	18.520	18.520
TOTAL REVENUE RESERVES	158.357	171.797

Overall total usable revenue reserves increased by £13.440 million during the year.

Non-School Earmarked Reserves

Non schools earmarked usable revenue reserves have increased by £15.697 million (13.1%) during the year, from £119.317 million at the start of the year to £135.014 million at the end of the year.

Schools Earmarked Reserves

Total earmarked reserves relating to Schools decreased by £2.257 million during the year.

The main reasons for this decrease were:

- A net decrease of £4.056 million in the Dedicated Schools Grant Reserve, from £3.239 million at the start of the year to a deficit position of £0.817 million at the end of the year, following continued pressures with high needs related payments. A recovery plan is currently being developed in association with the schools forum in order to address future spending pressures.
- School Balances have increased by £1.799 million, despite the transfer of revenue balances relating to six academy conversions during the year.

General Reserves

General Reserves remained unchanged at £18.520 million. This reserve represents 4.43% of the net revenue budget for 2018/19, 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	Balance at 1 st April 2018 £ Millions	Balance at 31 st March 2019 £ Millions
Capital Grants & Contributions		
Unapplied Reserves	50.871	92.476
Useable Capital Receipts Reserve	32.206	29.894
TOTAL CAPITAL RESERVES	83.077	122.370

Capital reserves have increased by £39.293 million (47.3%) during the year, from £83.077 million at the start of the year to £122.370 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 2019, which is available on the Council's website.

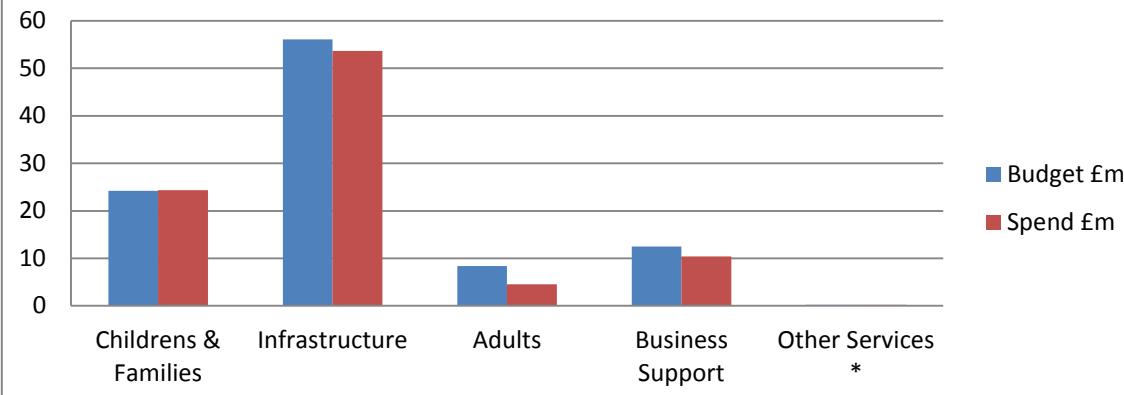
Capital Budget and Outturn Position

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 2018/19, thereby minimising the need for internal borrowing to £10.00 million.

The capital budget for 2018/19 totalled £101.39 million. Actual expenditure during the year was £93.24 million, giving an in-year under-spend of £8.15 million. This is purely in-year slippage which will be spent in 2019/20. 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:

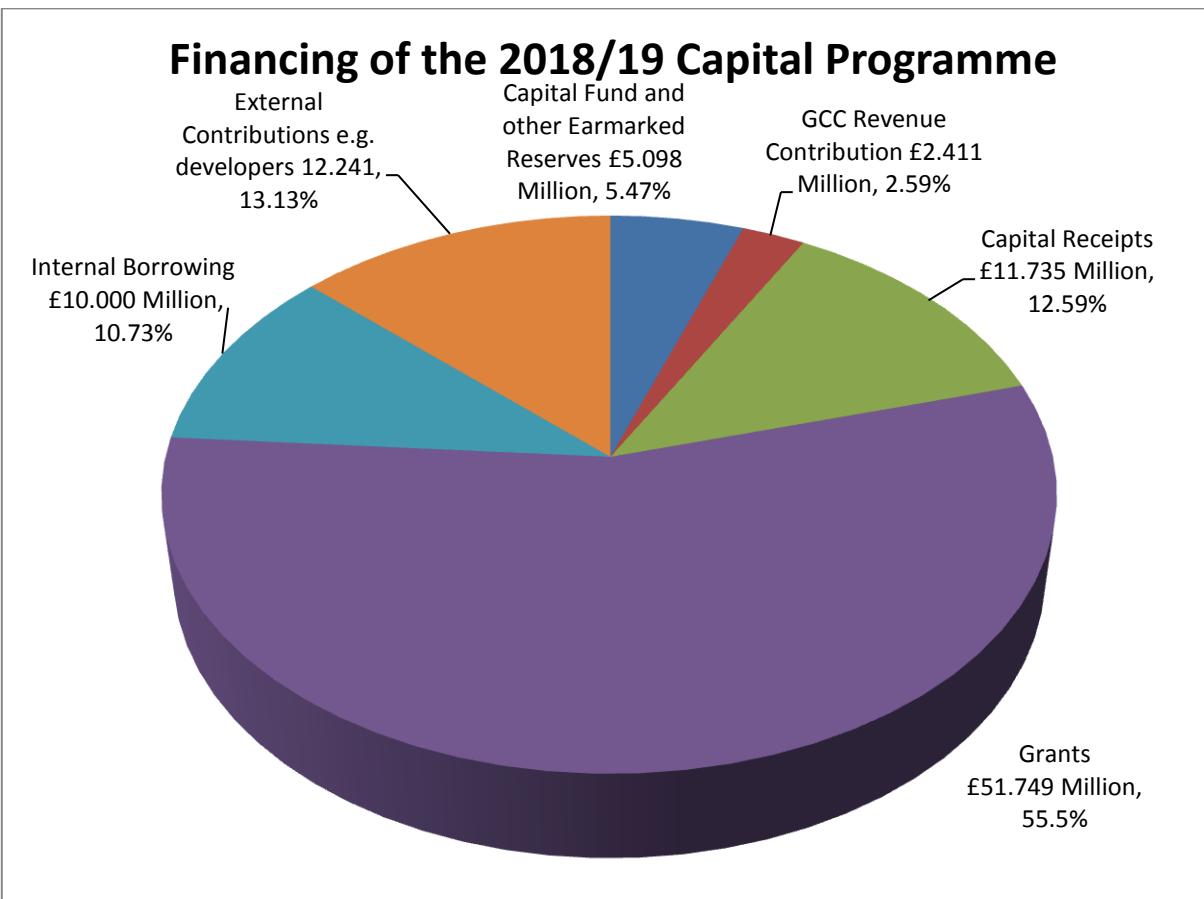
Net Budget & Actual Capital Expenditure 2018/19



* Other Services includes 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 2019, which is available on the Council's website.

The Council's 2018/19 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 2018/19 the MRP for the Council was £6.88 million.

Managing debt effectively remains a priority of the Council. Debt outstanding at the end of 2018/19 was £305.188 million, an increase of £3.112 million compared with the position at the end of 2017/18. This is due to additional capital schemes included in the programme funded from borrowing. This borrowing has been held internally to offset the additional borrowing costs that would otherwise be incurred.

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:

- Comprehensive Income & Expenditure Statement on page 34.
- Movement in Reserves Statement on page 35 to 36.
- Balance Sheet position on page 37 setting out the Council's financial position as at 31st March 2019.
- Cash Flow Statement on page 38 summarising the inflows and outflows of cash.
- Notes to the accounts, which summarise and provide further information on the financial activities of the Council including Accounting Policies on pages 39 to 113.
- Gloucestershire Pension Fund Accounts are on pages 114 to 151, 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 152.

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

Two new accounting standards were adopted within the Code of Practice for 2018-19, IFRS 9 Financial Instruments and IFRS 15 which sets out how revenue should be recognised from contracts with customers. The Financial Statements have been prepared having considered these new standards. With regard to IFRS 15, this has not had any material impact upon the Council, as our policy already was to record income in the correct period as the service is provided.

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 34) 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 2018/19 was £0.07 million, which is shown in the movement in reserves statement, compared to a deficit of £52.63 million in 2017/18. The reason for this change is mainly due to additional income received in year from the Business Rates Pilot Scheme.

The £0.07 million deficit on the provision of services for 2018/19 shown in the CIES represents the financial position in accordance with International Financial Reporting Standards (IFRS). However the reported outturn budget position was a balanced position following recommended final reserve transfers of £2.9 million. 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 35) shows the movement during the 2018/19 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 decrease in the Council's reserves during 2018/19 is £67.32 million, made up of an increase of £52.73 million in useable reserves and an decrease of £120.05 million in unusable reserves. The decrease in unusable reserves is mainly due to a decrease of £147.33 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 £25.46 million has also been achieved in year.

Balance Sheet - (page 37) shows the value of the assets and liabilities recognised by the Council as at 31st March 2019. The balance sheet of the Council shows net assets of £343.33 million, which is matched by reserves (as set out in the Movement in Reserves Statement). This represents a decrease of £67.32 million from the 2017/18 position.

The decrease of £67.32 million in net assets is largely due to:

- A decrease of £147.33 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.
- A reduction in cash and cash equivalent balances of £49.0 million.
- An increase in short term investments held at the end of the year of £79.9 million.
- An increase in long term provisions of £0.617 million.
- An increase in the value of Long Term Assets of £16.28 million, reflecting valuation changes during the year.

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 61).

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 61). During the year the cash and cash equivalent decreased from £108.5 million at the beginning of the year to £59.5 million at the end of the year. This decrease of £49.0 million in cash balances is largely due to investing in short term deposits at year end, as detailed in note 9, page 55.

Principal Risks and Uncertainties

At the end of 2018/19, the Council is facing the following risks and challenges:

- Funding reductions and future funding uncertainties.
- Threats to 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.
- 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.

Each of these risks and challenges are recognized in the Council's risk register and a series of mitigation processes have been put in place to reduce / minimise these risks.

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 increased by 17.67%, from £719.7 million at the start of the year to £867.0 million at the year end. This is due to the changed financial assumptions, primarily a decreased 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 decreased by 0.2% (from 2.7% to 2.5%). The lower the discount rate used, the higher the estimated present value of pension liabilities. Further information can be found in note 32, page 81.

Investment Activity & Borrowing

During 2018/19 treasury management has been conducted according to the Policy Statement approved by the County Council in February 2018. In accordance with this strategy 140 investments were made during the year, at a value of £915 million. Total interest earned on in house deposits was £5.8 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 2019 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £305.2 million, an increase of £3.1 million compared with the position at the end of 2017/18.

The Future

We are:

- Waiting for further Government consultation papers on the Fair Funding Review, and Business Rates Retention System,
- Working to review the implications of a move to a 75% Business Rates Retention system, possibly from 2020/21,
- Implementing the five-year Sustainability and Transformation Plan for Gloucestershire with the Clinical Commissioning Group. The plan shows how The Council intends to work with our NHS partners to make sure that local services are sustainable into the future,
- Waiting for details of the Comprehensive Spending Review which covers funding levels beyond 31 March 2020,
- Waiting for Grant Thornton to conclude their investigation into the value for money objection to the 2016/17 accounts, to which the Council will respond.

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)



Paul Blacker
Director of Finance & Section 151 Officer

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 Director of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Finance Responsibilities

The Director of Finance 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 Director of Finance 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 Director of Finance has also:

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

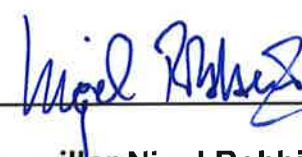
Certification

I certify that the Statement of Accounts 2018/19 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 2019.



Paul Blacker CPFA, Director of Finance
26th July 2019

The Audit & Governance Committee of the County Council approved the Statement of Accounts on 26th July 2019.



Councillor Nigel Robbins, Chairperson
26th July 2019

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 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including the statement of accounting policies, and include the Fire Pensions Accounts comprising the Fund Account, the Net Assets Statement and notes to the 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 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 2018/19; 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.

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's 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 audit 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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 set out on page 27 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 2018/19, for being satisfied that they 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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 2019. 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.

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 the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2019.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Peter Barber

Peter Barber, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

29 July 2019

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

Opinion

We have audited the financial statements of Gloucestershire Pension Fund (the 'pension fund') administered by Gloucestershire County Council (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 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 2018/19; 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 pension fund's 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.

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's financial statements is not appropriate; or
- the Strategic Finance Director has not disclosed in the pension fund's 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 the pension fund for a period of at least twelve months from the date when the pension fund's 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, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's 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's 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's financial statements or our knowledge of the pension fund obtained in the audit 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's 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's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the pension fund's 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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's 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 2018/19, for being satisfied that they 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 pension fund's 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 there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's 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.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Peter Barber

Peter Barber, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

29 July 2019

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.

Balance at 31st March 2018			Balance at 31 st March 2019		
Expenditure	Income	Net	Expenditure	Income	Net
£'000	£'000	£'000	£'000	£'000	£'000
Gross Expenditure, Gross Income and Net Expenditure of Continuing Operations					
228,918	-92,103	136,815	Adults	244,054	-100,703
26,495	-25,090	1,405	Prevention & Wellbeing	35,675	-24,711
464,448	-301,520	162,928	Children & Families	446,080	-308,045
135,535	-15,623	119,912	Communities & Infrastructure	144,058	-24,289
50,674	-9,385	41,289	Business Support Services	48,332	-8,776
13,362	-5,542	7,820	Technical & Corporate	14,753	-25
919,432	-449,263	470,169	Cost Of Services	932,952	-466,549
305	-	305	Levies Payable	313	-
13,098	-	13,098	Gain/Loss on Disposal of Non Current Assets (Note 39)	2,760	-
13,403	-	13,403	Other Operating Expenditure	3,073	-
16,778	-	16,778	Interest Payable on Debt	16,237	-
19,184	-	19,184	Net interest on the Net Defined Benefit Liability (Asset)	19,925	-
-	-	-	Gain/Loss on Revaluation of Pooled Investments	870	-
-	-3,956	-3,956	Investment Interest income	-5,952	-5,952
35,962	-3,956	32,006	Financing and Investment Income and Expenditure	37,032	-5,952
-	-76,214	-76,214	Recognised Capital Grants and Contributions	-	-105,595
-	-264,748	-264,748	Council Tax	-	-281,200
-	-72,936	-72,936	National Non Domestic Rates	-	-86,674
-	-31,211	-31,211	Revenue Support Grant	-	-
-	-12,446	-12,446	Non Service Related Government Grants	-	-22,518
-	-5,392	-5,392	Fire Pensions Top Up Grant	-	-4,500
-	-462,947	-462,947	Taxation and Non-Specific Grant Income	-	-500,487
968,797	-916,166	52,631	Surplus (-) or Deficit on Provision of Services	973,057	-972,988
72,948	-115,611	-42,663	Revaluation Gains (-)/Losses (Note 13)	10,461	-35,919
-	-810	-810	Surplus or Deficit on Revaluation of Available for Sale Financial Assets (Note 13)	-	331
-	-41,632	-41,632	Remeasurement of the Net Defined Benefit Liability (Asset)	92,379	-
72,948	-158,053	-85,105	Other Comprehensive Income and Expenditure	102,840	-35,588
1,041,745	-1,074,219	-32,474	Total Comprehensive Income and Expenditure	1,075,897	-1,008,576
					67,321

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.

Restated 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
<u>Movement in reserves during 2017/18</u>								
Restated Surplus or Deficit (-) on Provision of Services	-52,631	-	-52,631	-	-	-52,631	-	-52,631
Other Comprehensive Expenditure and Income						85,105	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
Restated Balance at 31st March 2018	18,520	139,838	158,358	32,206	50,870	241,434	169,217	410,651

Movement in Reserves 2018/19	General Fund Balance	Earmarked General Fund Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31st March 2018 carried forward	18,520	139,837	158,357	32,206	50,871	241,434	169,217	410,651
<u>Movement in reserves during 2018/19</u>								
Surplus or Deficit (-) on Provision of Services	-69		-69			-69		-69
Other Comprehensive Expenditure and Income						-67,252		-67,252
Total Comprehensive Expenditure and Income	-69	-	-69	-	-	-69	-67,252	-67,321
Adjustments between accounting basis & funding basis under regulations (Note 1)	13,509		13,509	-2,312	41,605	52,802	-52,802	-
Net Increase/Decrease before Transfers to Earmarked Reserves	13,440	-	13,440	-2,312	41,605	52,733	-120,054	-67,321
Transfers to/from Earmarked Reserves	-13,440	13,440				-		-
Increase/Decrease in 2018-19	-	13,440	13,440	-2,312	41,605	52,733	-120,054	-67,321
Balance at 31st March 2019	18,520	153,277	171,797	29,894	92,476	294,167	49,163	343,330

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'.

Restated		Notes	As at 31 st March 2019 £'000	
as at 31st March 2018 £'000				
1,197,400	Property Plant and Equipment	3	1,241,032	
237	Intangible Assets		151	
90,564	Long Term Investments	5	88,306	
25,113	Long Term Debtors	5	100	
1,313,314	Long Term Assets		1,329,589	
96,168	Short Term Investments	5	176,082	
1,197	Assets Held for Sale	10	1,397	
610	Inventories	6	2,165	
51,318	Short Term Debtors	8	81,620	
108,498	Cash and Cash Equivalents	9 & 17	59,496	
257,791	Current Assets		320,760	
-44,467	Short Term Borrowing	5	-44,294	
-79,239	Short Term Creditors & Revenue Receipts in Advance	12	-96,281	
-2,793	Short Term Provisions	11	-1,882	
-44,935	Capital Grants and Contributions Receipts in Advance	24	-32,389	
-9,473	Provision for Accumulated Absences	11	-8,353	
-180,907	Current Liabilities		-183,199	
-2,420	Deferred Liability	37	-2,310	
-3,524	Long Term Provisions	11	-4,141	
-263,854	Long Term Borrowing	5	-255,295	
-709,749	Liability Related to Defined Benefit Pension Scheme	32	-862,074	
-979,547	Long Term Liabilities		-1,123,820	
410,651	Net Assets		343,330	
241,434	Usable Reserves	2	294,167	
169,217	Unusable Reserves	13,32,38		49,163
410,651	Total Reserves		343,330	

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.

	2017/18 £'000	2018/19 £'000
52,631	Net Surplus (-) or Deficit on the Provision of Services	69
-144,466	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements (note 14)	-119,511
87,701	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities (note 14)	113,739
-4,134	Net Cash Flows from Operating Activities	-5,703
-29,691	Investing Activities (Note 15)	46,271
18,902	Financing Activities (Note 16)	8,434
-14,923	Net Increase or Decrease in Cash and Cash Equivalents	49,002
-93,575	Cash and Cash Equivalents at the beginning of the reporting period	-108,498
-108,498	Cash and Cash Equivalents at the end of the reporting period (Note 9)	-59,496

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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.

2017/18

	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Un-applied Reserve £'000	Movement in Unusable Reserves £'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

2018/19	Usable reserves			Capital Grants Un-applied £'000	Movement in Unusable Reserves £'000		
	General Fund Balance £'000	Capital Receipts Reserve £'000	Un-applied Reserve £'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	-46,516				46,516		
Lifecycle Costs- PFI	14				-14		
Movement in the Donated Assets Account					0		
Revenue expenditure funded from capital under statute	-17,260				17,260		
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	-11,184				11,184		
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory Provision for the financing of Capital Investment	6,888				-6,888		
Capital expenditure charged against the General Fund Balance	7,509				-7,509		
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	8,423		-8,423				
Use of the Capital Receipts Reserve to finance new capital expenditure			11,735		11,735		
Transfer from Deferred capital receipts reserve following receipt of cash			-1,000		-1,000		
Adjustments primarily involving the Capital Grants Unapplied Reserve:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	105,595			-105,595			
Application of grants and contributions to capital financing transferred to capital adjustment account			63,990		-63,990		
Adjustment primarily involving the Financial Revaluation Reserve:							
Gain/loss on the revaluation of Financial instruments	-869				869		
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	280				-280		
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-54,946				54,946		
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	-12,563				12,563		
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	1,120				-1,120		
Total Adjustments	-13,509	2,312	-41,605	-52,802			

2. Usable 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 2018/19.

Earmarked Revenue Reserves	Balance at	Transfers	Transfers	Balance at
	31 st March	Out 2018/19	In	31 st March
	2018	£'000	£'000	2019
Strategic Waste Reserve	38,779	-455	2,534	40,858
Fire Joint Training Centre	1,119	-37	-	1,082
Fire PFI Reserve- GRFS	3,296	-	244	3,540
Insurance Fund	11,981	-4,077	5,344	13,248
Capital Fund	14,027	-4,145	5,858	15,740
Transformation Reserve	2,247	-793	4,158	5,612
County Elections	308	-	207	515
Vehicle & Plant Replacement	82	-82	-	-
Fire Service Pensions	127	-	-	127
Active Communities	402	-50	-	352
Invest to Save	2,660	-940	558	2,278
Education Funding Risk Reserve	500	-	-	500
Economic Stimulus Reserve	4,496	-193	158	4,461
Public Health	1,998	-1,123	-	875
Vulnerable Children Reserve	1,603	-1,217	-	386
Adult Care Reserve	3,693	-1,421	3,147	5,419
Growing our Communities Reserve	1,590	-378	-	1,212
People Services Reserve	713	-713	-	-
Home to School Transport Reserve	300	-136	-	164
A417 Missing Link Reserve	2,992	-227	161	2,926
Rates Retention Reserve	2,960	-604	7,275	9,631
Revenue Grant Reserves	17,769	-13,138	16,071	20,702
Communities & Infrastructure Reserve	518	-988	1,554	1,084
Traded & Shared Audit Services Reserve	390	-73	93	410
LED Renewables Reserve	463	-	-	463
IRIS Project Reserve	825	-825	-	-
Minimum Wage Reserve	1,000	-	-	1,000
Other Reserves	431	-93	-	338
Highways Act Commuted Sums Reserves	2,048	-30	73	2,091
Total Non School Earmarked Reserves	119,317	-31,738	47,435	135,014
Schools Related				
School Balances	17,215	-17,215	19,062	19,062
Other Schools Related	66	-66	18	18
Dedicated Schools Grant Reserve	3,239	-3,239	-817	-817
Total School Related	20,520	-20,520	18,263	18,263
Total Earmarked Revenue Reserves	139,837	-52,258	65,698	153,277
General Fund Balances	18,520	-	-	18,520
Total Revenue Reserves	158,357	-52,258	65,698	171,797
Earmarked Capital Reserves	Balance at	Transfers	Transfers	Balance at
	31 st March	Out 2018/19	In	31 st March
	2018	£'000	£'000	2019
Capital Grants & Contributions Unapplied Reserve	50,871	-60,538	102,143	92,476
Useable Capital Receipts Reserve	32,206	-11,767	9,455	29,894
Total Capital Reserves	83,077	-72,305	111,598	122,370

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.

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.

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
2017/18	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Gross book value at 31st March 2017	801,301	23,060	660,020	12,850	10,702	894	1,508,827	21,277
Additions	23,749	6,582	37,838	-	5,842	-	74,011	84
Donations	-	-	-	-	-	-	-	-
Revaluation increases recognised in Revaluation Reserve	98,865	-	-	1,080	-	40	99,985	-
Revaluation Reserve adjustment refund to I & E	1,373	-	-	-	-	-	1,373	-
Revaluation decrease recognised in Revaluation Reserve	-81,353	-	-	-2,899	-	-	-84,252	-117
Revaluation Reserve adjustment charge to I & E	-40,907	-	-	-1,686	-	-	-42,593	-
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	-	0	-
Surplus reclassification	-4,259	-	-	5,406	-	-	1,147	-
Restated Gross book value at 31st March 2018	784,543	28,856	695,950	11,423	6,527	934	1,528,233	21,244
Restated Accumulated Depreciation and Impairment as at 31st March 2017	-35,007	-8,585	-269,741	-187	-	-	-313,520	-
Depreciation written out to the Surplus/Deficit on the provision	-20,850	-5,964	-23,972	-194	-	-	-50,980	-1,277
Depreciation written out to the Revaluation Reserve	29,299	-	-	-	-	-	29,299	-
Surplus reclassification	-	-	-	-1,147	-	-	-1,147	-
Derecognition – disposals	2,513	606	1,908	488	-	-	5,515	-
Restated at 31st March 2018	-24,045	-13,943	-291,805	-1,040	-	-	-330,833	-1,277
Net book value at 31st March 2018	760,498	14,913	404,145	10,383	6,527	934	1,197,400	19,967

3. Non-current Assets

2018/19	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Heritage Assets	PFI Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Gross book value at 31st March 2018	763,595	28,856	695,950	11,423	6,527	934	20,947	1,528,232
Additions	17,231	5,821	48,603	-	4,223	-	12	75,890
Donations	-	-	-	-	-	-	-	-
Revaluation increases recognised in Revaluation Reserve	17,707	-	-	220	-	-	3,756	21,683
Revaluation Reserve adjustment refund to I & E	7,205	-	-	10	-	-	502	7,717
Revaluation decrease recognised in Revaluation Reserve	-25,351	-	-	-690	-	-	-	-26,041
Revaluation Reserve adjustment charge to I & E	-16,066	-	-	-200	-	-	-	-16,266
Derecognition – Disposals	-12,104	-2,656	-3,233	-215	-	-	-	-18,208
Assets reclassified from Held for Sale	275	-	-	-	-	-	-	275
Assets reclassified to Held for Sale	-475	-	-	-	-	-	-	-475
Assets Under Construction completed schemes	6,190	-	-	-	-6,190	-	-	-
Surplus reclassification	308	-	-	-308	-	-	-	-
PFI adjustment							3,726	3,726
Gross book value at 31st March 2019	758,515	32,021	741,320	10,240	4,560	934	28,943	1,576,533
Restated Accumulated Depreciation and Impairment as at 31st March 2018	-22,767	-13,943	-291,805	-1,040	-	-	-1,277	-330,832
Depreciation charge in year	-13,876	-6,059	-25,258	-107	-	-	-1,530	-46,830
Depreciation written out to the Surplus/Deficit on the provision	7,658	-	-	-	-	-	-	7,658
Depreciation written out to the Revaluation Reserve	25,375	-	-	827	-	-	1,277	27,479
Surplus reclassification	-121	-	-	121	-	-	-	-
Derecognition – disposals	1,382	2,394	3,233	15	-	-	-	7,024
At 31st March 2019	-2,349	-17,608	-313,830	-184	-	-	-1,530	-335,501
Net book value at 31st March 2019	756,166	14,413	427,490	10,056	4,560	934	27,413	1,241,032

Non Current Asset Restatements

- 17/18 Gross book value and Accumulated depreciation and Impairment as at 31st March 2017 have been restated to reflect the write out of accumulated depreciation on revalued assets as per 4.1.2.33 of the code. The Net book value is not affected by this amendment.
- 18/19 Gross book value and Accumulated depreciation and Impairment as at 31st March 2018 have been restated to reflect the write out of accumulated depreciation on revalued assets as per 4.1.2.33 of the code. The Net book value is not affected by this amendment.

Non Current Asset Valuations

• Land and Property

The Code requires all land and property to be formally revalued at least every five years. Our revaluations are done on a two year rolling programme, this years valuation covers a full valuation of all non school assets as at 1st April 2019 and a review of all maintained Schools and Nurseries as at 31st March 2019. The inhouse valuer has reviewed the in year movement on the non school assets and reported no material change in valuation.

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 2019. The valuations have been undertaken through a combination of the Council's internal valuers and where necessary, external valuers, all of which are RICS qualified, 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 and calculated at highest and best use

• 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

As Reported for Resource Management	2017-18					Expenditure and Funding Analysis					2018-19					
	Adjustments to Arrive at the New Amount Chargeable to the General Fund Balance		Net Expenditure Chargeable to the General Fund Balance		Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		As Reported for Resource Management		Adjustments to Arrive at the New Amount Chargeable to the General Fund Balance		Net Expenditure Chargeable to the General Fund Balance		Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
145,177	-8,744	136,433	382	136,815	Adults	144,114	-8,058	136,056	7,295	143,351						
24,912	-25,201	-289	1,694	1,405	Prevention & Wellbeing	34,120	-24,771	9,349	1,615	10,964						
103,122	-8,066	95,056	67,872	162,928	Children & Families	113,364	-8,549	104,815	33,220	138,035						
88,155	-5,465	82,690	37,222	119,912	Communities & Infrastructure	88,080	-7,912	80,168	39,601	119,769						
26,488	-	26,488	14,801	41,289	Business Support Services	28,775	-	28,775	10,781	39,556						
-26,810	23,375	-3,435	3,435	-	Support Service Recharges	-29,861	25,757	-4,104	4,104	0					0	
46,691	-13,938	32,753	-24,867	7,886	Technical & Corporate	39,489	-11,337	28,152	-13,424	14,728						
407,735	-38,039	369,696	100,539	470,235	Net cost of Services	418,081	-34,870	383,211	83,192	466,403						
-407,702	38,039	-369,663	-47,908	-417,571	Other income and expenditure	-418,081	34,870	-383,211	-83,123	-466,334						
33	-	33	52,631	52,664	Surplus or Deficit	-	-	-	69	69						
19,848					Opening General Fund Balance 31st March	18,520										
-33					Surplus/deficit on General Fund	-										
-1,295					Budgeted Transfer from General Fund	-										
18,520					Closing General Fund Balance 31st March	18,520										

2017-18

Adjustments from the General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	As Reported for Resource Management	Removal of Central Support										Adjustments Between Funding and Accounting Basis	Total Adjustments
		Interest Receivable Reported at Portfolio Level	Flood Defence Levies Reported at Portfolio Level	Interest Payable Reported at Portfolio Level	Recharges and Adjustment for Public Health Grant Funding	Net Expenditure Charged to the General Fund Balance	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)				
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adults	145,177	-2			-8,742	136,433	5,710	2,832	-8,160	382			-8,362
Public Health	24,912	0			-25,201	-289	-	-	1,694	1,694			-23,507
Children & Families	103,122	38			-8,104	95,056	56,219	5,100	6,553	67,872			59,806
Communities & Infrastructure	88,155	0		-2,120	-3,345	82,690	27,847	5,416	3,959	37,222			31,757
Business Support Services	26,488	0			-	26,488	15,068	7	-274	14,801			14,801
Central Support Recharges	-26,810	0			23,375	-3,435	-	-	3,435	3,435			26,810
Technical & Corporate	46,691	3,919	-305	-14,658	-2,895	32,752	-2,643	-2,363	-19,861	-24,867			-38,806
Net Cost of Services	407,735	3,955	-305	-16,778	-	24,912	369,695	102,201	10,992	-12,654	100,539		62,499
Other income and expenditure from the funding analysis	-407,702	-3,955	305	16,778	24,912	-369,662	0	13,098	19,184	-80,190	-47,908		-9,868
Surplus and Deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit	33	-	-	-	-	33	115,299	30,176	-92,844	52,631	52,631		

Note i Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation, 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.

2018-19

Adjustments from the General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	As Reported for Resource Management	Removal of Central Support										Adjustments Between Funding and Accounting Basis	Total Adjustments		
		Interest Receivable	Flood Defence Levies	Interest Payable	Recharges and Adjustment for Public Health Grant Funding	Net Expenditure Charged to the General Fund Balance	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)							
		Reported at Portfolio Level	Adjustments for Capital Purposes (Note i)	Other Differences (Note iii)											
		£000	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000		
Adults	144,114	133			-8,191	136,056	5,522	5,648	-3,875	7,295			-763		
Public Health	34,120	0			-24,771	9,349	-	82	1,533	1,615			-23,156		
Children & Families	113,364	37			-8,586	104,815	16,489	13,556	3,175	33,220			24,671		
Communities & Infrastructure	88,080	0		-2,208	-5,704	80,168	28,844	16,032	-5,275	39,601			31,689		
Business Support Services	28,775	0			-	28,775	11,302	-48	-473	10,781			10,781		
Central Support Recharges	-29,861	0			25,757	-4,104	-	-	4,104	4,104			29,861		
Technical & Corporate	39,489	5,781	-313	-14,029	-2,776	28,152	-2,274	2,652	-13,802	-13,424			-24,761		
Net Cost of Services	418,081	5,951	-313	-16,237	-	24,271	383,211	59,883	37,922	-14,613	83,192		48,322		
Other income and expenditure from the funding analysis	-418,081	-5,951	313	16,237	24,271	-383,211	0	2,760	19,925	-105,808	-83,123		-48,253		
Surplus and Deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit	-	-	-	-	-	-	62,643	57,847	-120,421	69	69				

Note i Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation, 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	2017/18	2018/19
	£000	£000
Adults	-	29,601
Children & Families	-	8,291
Communities & Infrastructure	-	14,328
Prevention & Wellbeing	-	78
Support Services	-	8,481
Technical & Corporate	-	72
Total Revenue from External Customers	-	60,851
		61,251

5. Financial Instruments

Reclassification and remeasurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required.

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement.

New classifications at 1 April 2018

	Restated Carrying amount brought forward at 1 April	Amortised Cost **	Fair Value through Other Comprehensive Income	Fair Value through Profit and Loss
Previous Classifications	£'000	£'000	£'000	£'000
Loans and Receivables*	238,103	166,667	-	71,436
Available-for-Sale Financial Assets **	57,128	29,716	-	27,412
Fair Value through Profit or Loss	-			
Reclassified amounts at 1 April 2018		196,383		98,848

*cash in hand that was previously excluded from this classification is now included increasing the figure reported as Loans & Receivables in the notes 2017/18

** During the detailed work on IFRS 9 it was identified that several loans had been misclassified as AFS during 2017/18 when they should have been shown as AC, so they have therefore been restated to AC part of the new classification

		Impact on General Fund Balance	Impact on Pooled Fund Adjustment Account
		£'000	£'000
Remeasurements at 1 April 2018	-	-	-
Remeasured carrying amounts at 1 April 2018	196,383	-	98,848

Reclassification and remeasurement of impairment losses at 1 April 2018

As a result of IFRS 9 the Council must look at the impairment loss to be applied on financial instruments. Calculations have shown that the amount of additional impairment loss on Financial Instruments totals £41,347, so no amendments have been made to the accounting statements.

Fair Values of Assets and Liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans. The fair value is established by estimating the price the PWLB would receive if it sold the loans to another market participant.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

	Fair Value Level	31st March 2018		31st March 2019	
		Carrying Amount shown on Balance Sheet	Fair Value £'000	Carrying Amount shown on Balance Sheet	Fair Value £'000
Financial liabilities held at amortised cost:					
Loans from PWLB	2	246,914	332,712	238,869	321,955
Non PWLB loans	2	41,581	75,292	41,582	72,970
Finance Leases and PFI Liabilities	2	19,826	32,631	19,138	32,230
Total Financial Liabilities held at amortised cost		308,321	440,635	299,589	427,155
Liabilities for which fair value is not disclosed *		87,976		104,614	
Total Financial Liabilities		396,297	528,611	404,203	531,769

Recorded on the balance sheet as:

Short term creditors	79,239	96,281
Short term borrowing	44,467	44,294
Short term provisions	2,793	1,882
Deferred liabilities	2,420	2,310
Long term borrowing	263,854	255,295
Long term provisions	3,524	4,141

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

	Fair Value Level	31st March 2018		31st March 2019	
		Balance Sheet at Fair Value		Balance Sheet at Fair Value	
		£'000	£'000	£'000	£'000
Financial assets held at fair value					
Money market funds	1	92,376		25,121	
Equities and property funds	1	37,321		61,799	
Total Financial Assets held at Fair Value		129,697		86,920	
 Financial assets held at amortised cost:					
	Balance Sheet	31st March 2018		31st March 2019	
		Balance	Fair Value	Balance	Fair Value
		£'000	£'000	£'000	£'000
Bank/other deposits	2	60,351	59,400	83,739	83,802
Loans to local authorities	2	98,697	102,775	150,878	154,328
Cash in Hand		6,485	6,485	2,347	2,347
Total Financial Assets held at Amortised Cost		165,533	168,660	236,964	240,477
Assets for which fair value is not disclosed *		76,431		81,720	
Total Financial Assets		371,661	374,788	405,604	409,117
Recorded on the balance sheet as:-					
Long-term debtors		25,113		100	
Long-term investments		90,564		88,306	
Short-term debtors		51,318		81,620	
Short-term investments		96,168		176,082	
Cash and cash equivalents		108,498		59,496	
Total Financial Assets		371,661		405,604	

* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

The fair values of the financial assets held at amortised cost are higher than the balance sheet amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made.

The Council holds shares costing £1 in Ubico Ltd. The fair value of the council's interest in the company at 31st March 2019 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.

Expense, Income, Gains and Losses

	Restated categories as at 1 April 2018					2018/19					Total
	Financial Liabilities: Amortised Cost	Financial Assets: Amortised Cost	Financial Assets: Fair Value through Profit and Loss	Financial Assets: Fair Value through Other Comprehensive Income	Total	Financial Liabilities: Amortised Cost	Financial Assets: Amortised Cost	Financial Assets: Fair Value through Profit and Loss	Financial Assets: Fair Value through Other Comprehensive Income	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Interest expense	16,778	-	-	-	16,778	16,237	-	-	-	16,237	
Losses from changes in fair value											
Interest payable and similar changes	16,778	-	-	-	16,778	16,237	-	-	-	16,237	
Interest and dividend income	-	-1,954	-2,002	-	-3,956	-	-2,167	-3,785	-	-5,952	
Gains from changes in fair value											
Interest and investment income	-	-1,954	-2,812	-	-4,766	-	-2,167	-2,915	-	-5,082	
Gain (-)/Loss on revaluation											
Impact on Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	
Net loss/gain(-) for the year	16,778	-1,954	-2,812	-	12,012	16,237	-2,167	-2,915	-	11,155	

6. Inventories

	2017/18 £'000	2018/19 £'000
Maintenance Materials		
Balance outstanding at start of the year	742	610
Purchases	1,971	3,716
Stock used within the year	-2,103	-2,161
Balance outstanding at year-end	610	2,165

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 £3.23 million exist within the capital programme for classroom expansion works and provision of new sports hall at Barnwood Park School, which is a maintained school.

8. Debtors

	2017/18 £'000	2018/19 £'000
Central Government Bodies	14,943	16,602
Other Local Authorities	2,340	3,680
NHS Bodies	7,148	10,103
Public Corporations and Trading Funds	482	389
Other Entities and Individuals	26,405	50,846
Total	51,318	81,620

9. Cash and Cash Equivalents

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

	2017/18 £'000	2018/19 £'000
Cash held by the Council, including schools	6,485	2,393
Cash held in call/money market accounts with same day access	30,000	19,603
Cash Equivalents - investments maturing within 3 months	72,013	37,500
Total Cash and Cash Equivalents	108,498	59,496

10. Assets Held for Sale

	2017/18 £'000	2018/19 £'000
Balance outstanding at start of year	1,121	1,197
Assets newly classified as held for sale:		
Property, Plant and Equipment	975	475
Assets sold	-899	-275
Balance outstanding at year-end	1,197	1,397

11. Provisions

	Short Term Liabilities	Long Term Liabilities	Balance at 1 st April 2018	Applications	Additions	Amounts Written off in Year	Balance at 31 st March 2019	Short Term Liabilities	Long Term Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance Fund	-2,793	-3,354	-6,147	1,610	-	-	-4,537	-1,882	-2,655
Adults									
Contracts	-	-	-	-	-1,264	-	-1,264	-	-1,264
Communities & Infrastructure:									
GSWBP Land Claims	-	-95	-95	2	-	-	-93	-	-93
Contracts	-	-	-	-	-100	-	-100	-	-100
Children & Families:									
Pension Strain Costs	-	-29	-29	29	-	-	-	-	-
General:									
Pension Strain & Redundancy costs	-	-7	-7	-	-	7	-	-	-
Retained Fire Fighters Liabilities	-	-10	-10	-	-	10	-	-	-
LAMS Scheme Liabilities	-	-29	-29	-	-	-	-29	-	-29
Total	-2,793	-3,524	-6,317	1,641	-1,364	17	-6,023	-1,882	-4,141
Employee Accrual - IAS19 accumulated absences	-9,473	-	-9,473	1,120	-	-	-8,353	-8,353	-8,353
Total	-9,473	-	-9,473	1,120	-	-	-8,353	-8,353	-

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 2018/19 but will not be settled until 2019/20.

12. Creditors & Revenue Receipts in Advance

	2017/18 £'000	2018/19 £'000
Central Government Bodies	15,861	28,837
Other Local Authorities	4,996	4,420
NHS Bodies	7,070	7,513
Public Corporations and Trading Funds	102	300
Other Entities and Individuals	51,210	55,211
Total	79,239	96,281

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 2017/18 £'000	2018/19 £'000
Balance at 1st April	196,023	258,133
Upward revaluation of assets	143,534	35,919
Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	-72,948	-10,461
Depreciation written out to the Capital Adjustment Account	-743	-3,195
Accumulated gains on assets sold or scrapped	-7,733	-3,788
Balance at 31st March	258,133	276,608

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 during 2018/19. Following the adoption of IFRS 9 this reserve no longer applies and balances have been removed.

	2017/18 £'000	2018/19 £'000
Balance at 1st April	1,493	2,303
Change in year end valuation	810	-
Balance cleared out at 1 April 2018 under IFRS 9	-2,303	
Balance at 31st March	2,303	-

Pooled Instrument Adjustment Account

The Pooled Instrument Adjustment Account 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. They are instruments that are categorised as Fair Value through profit and loss but subject to a statutory override so that they do not impact on year on council tax payers

	2017/18 £'000	2018/19 £'000
Balance at 1st April	-	2,303
Sale of Investments	-	-330
Change in year end valuation	-	-871
Balance at 31st March	-	1,102

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 2017/18 £'000	2018/19 £'000
Balance at 1st April	691,013	637,673
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	-54,710	-43,717
Depreciation written out to the Revaluation Reserve	743	3,195
Amortisation of intangible assets	-166	-184
PFI Lifecycle costs	84	13
Revaluation losses on Property, Plant and Equipment	-63,045	-2,615
Revenue expenditure funded from capital under statute	-21,947	-17,260
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	-11,184
Adjusting amounts written out of the Revaluation Reserve	7,733	3,788
Capital financing applied in the year:		
Write off of deferred charges	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	12,940	11,736
RCCO applied to capital financing	13,763	7,509
Voluntary Provision for financing of Capital Investment	-	-
Statutory Provision for the financing of Capital Investment	6,766	6,888
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	69,172	63,990
Balance at 31st March	637,673	659,832

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.

	2017/18 £'000	2018/19 £'000
Balance at 1st April	-736,662	-719,749
Remeasurement of net defined benefit liability	41,632	-92,379
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	-24,719	-54,946
Balance at 31st March	-719,749	-867,074

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.

	2017/18 £'000	2018/19 £'000
Balance at 1st April	2,123	3,189
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.	1,066	-12,562
Balance at 31st March	3,189	-9,373

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.

	2017/18 £'000	2018/19 £'000
Balance at 1st April	-9,409	-9,473
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.	-64	1,120
Balance at 31st March	-9,473	-8,353

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.

	2017/18 £'000	2018/19 £'000
Balance at 1st April	-4,112	-3,959
Adjustments with the General Fund relating to the total of deferred premiums/discounts:		
Net write down	153	280
Balance at 31st March	-3,959	-3,679

Deferred Capital Receipts Reserve

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

This transfer represents the payments made under the local authority mortgage scheme (£1.0 million) and the balance remaining relates to 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.

	2017/18 £'000	2018/19 £'000
Balance at 1st April	2,300	1,100
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	-1,000
Balance at 31st March	1,100	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:

	2017/18 £'000	2018/19 £'000
Depreciation & Impairment	-89,005	-46,319
Amortisation	-166	-184
Increase/Decrease in Creditors	-9,179	-14,400
Increase/Decrease in Debtors	2,363	30,999
Increase/Decrease in Inventories	-132	1,555
Movement in Pension Liability	-24,719	-54,946
Other non-cash items charged to the net surplus or deficit on the provision of services	1,045	-25,032
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-24,673	-11,184
Total	-144,466	-119,511

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

	2017/18 £'000	2018/19 £'000
Capital Grants credited to surplus or deficit on the provision of services	76,280	105,315
Premiums or discounts on the repayment of financial liabilities	-154	-280
Proceeds from the sale of property plant and equipment, investment property and intangible assets	11,575	8,424
Net cash flows from Operating Activities	87,701	113,459

The cash flows for operating activities include the following items:

	2017/18 £'000	2018/19 £'000
Interest received	-3,609	-5,245
Interest paid	17,442	16,419
Total	13,833	11,174

15. Cash Flow Statement – Investing Activities

	2017/18 £'000	2018/19 £'000
Purchase of property, plant and equipment, investment property and intangible assets	83,970	79,619
Purchase of short-term and long-term investments	722,668	858,463
Proceeds from the sale of property, plant and equipment, investment	-12,775	-9,424
Proceeds from short-term and long-term investments	-758,382	-783,590
Other receipts from investing activities	-65,172	-98,797
Net cash flows from Investing Activities	-29,691	46,271

16. Cash Flow Statement – Financing Activities

	2017/18 £'000	2018/19 £'000
Cash receipts of short and long term borrowing	-30,000	-
Repayments of short-term and long-term borrowing	48,336	7,863
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	566	571
Net cash flows from Financing Activities	18,902	8,434

17. Movement in Net Debt

	2017/18 £'000	2018/19 £'000	Movements in year £'000
Movement In Cash Balances:			
Imprest Accounts	117	114	-3
Cash at Bank	36,368	21,882	-14,486
Cash Equivalents investments	72,013	37,500	-34,513
Net Cash	108,498	59,496	-49,002
 Financing & Liquid Resources	 188,458	 100,823	 -87,635
 Net Debt	 296,956	 160,319	 -136,637

Note 18. Expenditure and Income Analysed by Nature

	Restated 2017/18	2018/19
	£'000	£'000
Fees, Charges & Other Service Income	-114,668	-129,026
Interest and Investment Income	-3,956	-5,952
Valuation Gain on Financial Instruments	-	-
Income from Council Tax	-264,748	-281,200
Government Grants and Contributions	-451,188	-446,705
Capital Grants and Contributions	-76,214	-105,605
Fire Pensions Top Up Grant	-5,392	-4,500
Gain on disposal of fixed Assets	-	-
Total Income	-916,166	-972,988
Employee Expenses	337,133	366,038
Other Service Expenses	489,842	523,376
Depreciation, Amortisation and Impairment	89,999	46,516
Valuation Loss on Financial Instruments		870
Revenue expenditure funded from capital under statute	21,947	17,260
Interest Payments	16,778	16,237
Loss on the disposal of fixed assets	13,098	2,760
Total Operating Expenses	968,797	973,057
Surplus or Deficit on the Provision of Services	52,631	69

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 2018/19 the Council's share of the gross expenditure of the partnership was £7.9 million (£6.9 million in 2017/18), gross income was nil (nil in 2017/18) and therefore the Council's net contribution was £7.9 million (£6.9 million in 2017/18).

Provision of Social Care Occupational Therapy (Integrated Budget)

A partnership agreement, with Gloucestershire Clinical Commissioning Group, to commission occupational therapy services. In 2018/19 the gross expenditure of the partnership was £3.6 million (£4.0 million in 2017/18), gross income was nil (nil in 2017/18) and the Council's contribution was £2.7 million (£3.0 million in 2017/18).

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 2018/19 the gross expenditure of the partnership was £8.5 million (£8.1 million in 2017/18), gross external income was £0.8 million (£1.0 million in 2017/18), and the Council's contribution was £2.4 million (£1.7 million in 2017/18). A further £1.8 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 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:

Borders Broadband £15.570 million

Fastershire partnership entered into 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 and 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 draw 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 £2.966 million of which £1.417 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 no expenditure has occurred.

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 2018/19 of the partnership was £0.550 million, with the Council's contribution to this being £0.239 million.

The current joint committee will end on 13th December 2019. This results from a decision by Cheltenham B.C to withdraw its membership, which in turn triggers the termination provisions within the partnership Inter-Authority Agreement. Options for future partnership working are currently being explored and have yet to be agreed. However, it is likely that the existing partnership will not be reformed by the remaining members, but instead a new less formal arrangement will be developed with the intention of all Gloucestershire local authorities being part of it.

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 2018/19 the total funding covered within the BCF was £43.6 million (£42.4 million in 2017/18), of which £21.3 million was allocated to the Council as Lead Commissioner (£20.6 million in 2017/18), The CCG was allocated £22.3 million as Lead Commissioner (£21.8 million in 2017/18).

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 2018/19 the net spend totalled £0.540 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 £1.937 million from Ubico Ltd during 2018/19, £0.052 million of which is included in the council's balance sheet: £0.076 million as a short term creditor and £0.024 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 Council's asset register. Vehicles used for haulage are provided by Ubico Ltd under the terms of the contract.

Adoption West

On the 1 March 2019 the Council joined together with Bath and North East Somerset, Bristol and North Somerset, South Gloucestershire and Wiltshire Councils to create a new regional adoption agency, called Adoption West. The aim of the collaboration is to deliver an adoption service that offers improved outcomes for both children, people who want to adopt and people whose lives are affected by adoption. During 2018/19 the Council made payments to Adoption West totalling £0.130 million.

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 2017/18 and 2018/19 are as follows:

2017/18-Restated

	Salary, Fees and Compensation for loss of Office	Other Taxable	Employer's Pension	Total	
	£	£	£	£	
Chief Executive Mr P Bungard (1)	132,339	-	-	132,339	
Commissioning Director (2)	58,656	-	360	14,077	73,093
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	
	1,268,607	47,201	6,778	205,753	1,528,338

- (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. The salary and Other taxable benefits have been restated for this position compared to the balances previously published in order to remove national insurance contributions incorrectly included.
- (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 for 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 whole time equivalent 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.

2018/19

	Salary, Fees and Compensation for loss of Office	Other Taxable	Employer's Pension	Total	
	£	£	£	£	
Chief Executive Mr P Bungard (1)	134,971	-	-	134,971	
Commissioning Director (2)	59,827	-	1,011	14,359	75,197
Chief Fire Officer & Operations Director (3)	31,299	-	-	6,792	38,091
Chief Fire Officer (3)	11,906	-	-	1,703	13,609
Interim Chief Fire Officer (3)	50,812	-	-	19,189	69,663
Commissioning Director: Communities & Infrastructure (4)	66,974	-	-	12,323	79,297
Commissioning Director: Adults	125,013	-	-	23,002	148,015
Operations Lead: Adult Social Care & Business Development	101,760	-	-	18,724	120,484
Director of Integration (5)	51,537	-	279	7,411	59,227
Director of Public Health	104,039	-	-	14,961	118,999
Director: Children's Services	140,013	-	-	-	149,967
Director of Childrens Safeguarding (6)	86,046	-	-	15,833	101,879
Director of Childrens partnerships (7)	72,643	-	-	13,366	86,009
Director: Strategic Finance (8)	98,801	-	-	18,179	116,980
Acting Director of Finance and S151 Officer (8)	18,708	-	-	4,194	22,902
Acting Director of HR and Digital (8)	18,708	-	-	4,194	22,902
Director: Strategy & Challenge and Monitoring Officer	103,163	-	-	18,982	122,145
Head of Property services	77,317	-	-	14,226	91,543
Head of Communication (9)	58,016	-	-	10,898	68,914
	1,396,611	-	1,290	242,895	1,640,796

(1) The Chief Executive works 29.6 hours per week. The full time equivalent salary for 2018/19 is £168,714.

(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 Chief Fire Officer and Operations director left the Council on the 03/07/2018. A new Chief Fire Officer was appointed and started 25/02/2019. From the 24/07/2018 - 24/02/2019 the deputy fire officer acted up as interim Chief Fire Officer.

(4) The Commissioning Director: Communities & Infrastructure left the Council on 21/10/2018. 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 24/10/2018 until 31/03/2019 at a cost of £82,990.

(5) 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.

(6) The Director of Children's Safeguarding started on 02/07/2018. The full year equivalent salary is £101,760.

(7) The Director of Children partnerships started on 20/08/2018. The full year equivalent salary is £101,760.

(8) The Director of Strategic Finance left the authority on the 15/01/2019, the position was vacant for the rest of the Financial year but the Head of Financial Management acted up to director of Finance and took on the statutory role of Section 151 officer and the Head of Human Resources and OD became acting Director of HR and Digital.

(9) The Head of Communications started on 24/04/2018. The full year equivalent salary is £63,081.

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 2019, not just an employee's gross salary.

Remuneration band	Total Number of Employees			
	2017/18		2018/19	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	56	38	55	40
£55,000 - £59,999	48	36	47	26
£60,000 - £64,999	33	19	31	23
£65,000 - £69,999	13	9	18	12
£70,000 - £74,999	2	6	5	4
£75,000 - £79,999	4	5	2	5
£80,000 - £84,999	2	-	2	2
£85,000 - £89,999	3	2	2	2
£90,000 - £94,999	1	-	2	-
£95,000 - £99,999	-	5	1	2
£100,000 - £104,999	-	1	-	3
£105,000 - £109,999	-	1	-	-
£110,000 - £114,999	-	-	-	1
£115,000 - £119,999	-	1	-	-
£120,000 - £124,999	-	3	-	-
£125,000 - £129,999	-	-	-	2
£130,000 - £134,999	-	1	-	1
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	1
£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	162	127	165	124

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:

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	15	2	17	666,290
Total	36	29	65	1,533,915

2018/19

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	11	35	46	351,753
£20,001 - £40,000	4	6	10	291,985
£40,001 - £60,000	-	1	1	45,000
£60,001 - £80,000	1	-	1	66,412
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	1	-	1	122,533
£150,001 - £200,000	-	-	-	-
Accruals/Provision	1	-	1	77,318
Total	17	42	59	955,002

The total cost of £955,002 in the table above includes £77,318 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.goucestershire.gov.uk and can be found through the following link:-

[Allowances and expenses paid to Members of the Council - Gloucestershire County Council](#)

	2017/18 £'000	2018/19 £'000
Basic Allowances	529	533
Special Responsibility Allowances	250	267
Travel & Subsistence Allowances	30	33
Total	809	833

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:

	2017/18 £'000	2018/19 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	98	75
Additional fees associated with external audit services	9	24
Fees payable for the certification of grant claims and returns for the year	8	9
Fees payable in respect of other services provided during the year	10	10
Total	125	118

23. Disclosure of Deployment of Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school

Details of the deployment of DSG receivable for 2018/19 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2018/19 before academy and high needs recoupment			442,158
Academy and high needs figure recouped for 2018/19			-187,444
Total DSG after academy and high needs recoupment for 2018/19			<u>254,714</u>
Plus: Brought forward from 2017/18			3,239
Less: Carry forward to 2019/20 agreed in advance			-
Agreed initial budgeted distribution for 2018/19	82,842	175,111	257,953
In Year Adjustments	619	-	619
Final budget distribution for 2018/19	83,461	175,111	258,572
Less: Actual central expenditure	-84,278	-	-84,278
Less: Actual ISB deployed to schools	-	-175,111	-175,111
Plus: Local Authority contribution for 2018/19	-	-	-
Carry Forward to 2019/20	-817	-	-817

24. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

Credited to Taxation and Non Specific Grant Income

	2017/18 £'000	2018/19 £'000
Revenue Support Grant	-31,211	-
National Non Domestic Rates Income	-72,936	-86,674
Non Service Related Grants	-12,446	-22,518
Fire Pensions Top Up Grant	-5,392	-4,500
Total	-121,985	-113,692

Revenue Grants Credited to Services

	2017/18 £'000	2018/19 £'000
Department for Work & Pensions - Workstep Grant	-2	-11
Department for Children's Schools & Families Grants	-24,303	-27,761
Department for Education Grants	-251,025	-255,322
Department of Health Grants	-25,443	-24,271
Community & Local Government Grants	-23,750	-19,843
Youth Justice Board Grant	-522	-552
Young Peoples Learning Agency Grants	-2,190	-2,013
Other Grants	-4,935	-5,144
Skills Funding Agency	-2,387	-2,579
Department for Environment, Food & Rural Affairs	-38	-17
Total	-334,595	-337,513

	2017/18 £'000	2018/19 £'000
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Account	-76,214	-105,605

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

	2017/18 £'000	2018/19 £'000
Department for Transport Grants	-1,885	-
Ministry of Housing, Communities and Local Government Grants	-8,809	-12,618
Non Government Contributions for Capital purposes	-12,133	-11,186
Highways Section 106 Contributions	-12,569	-6,530
Accountable body	-9,539	-2,055
Total	-44,935	-32,389

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 2019 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, £103,187 in 2017/18 and £42,640 in 2018/19. The balance of £66,867 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 2019/20.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 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 £12.3 million (£11.4 million in 2017/18) was held in the Pension Fund accounts for 2018/19 gaining interest of £0.066 million. (£0.025 million in 2017/18). The Council charged £2.13 million (£1.74 million in 2017/18) 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 (BPRA).

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 2018/19 payments of £15.6 million (£16.4 million in 2017/18) were made to the Order of St John Care Trust in relation to this contract. £1.6 million was outstanding at the year end (2017/18 £3.5 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.

	2017/18 £'000	2018/19 £'000
Opening Capital Financing Requirement	308,842	302,076
Property, Plant and Equipment	73,928	75,976
Revenue Expenditure Funded from Capital under Statute	21,947	17,259
Total to Finance	<u>95,875</u>	<u>93,235</u>
Sources of finance		
Capital Receipts	-12,940	-11,736
Capital Fund & other Earmarked Reserves	-10,634	-5,098
Government Grants and other Contributions	-69,172	-63,990
Borrowing	-	-10,000
Direct Revenue Contributions	-3,129	-2,411
	<u>-95,875</u>	<u>-93,235</u>
Internal Borrowing	-	10,000
MRP	-6,766	-6,888
Total revenue provision	<u>-6,766</u>	<u>3,112</u>
Closing Capital Financing Requirement	<u>302,076</u>	<u>305,188</u>
Explanation of movements in year		
Increase/decrease (-) in underlying need to borrowing	-6,766	3,112
Increase/Decrease (-) in Capital Financing Requirement	<u>-6,766</u>	<u>3,112</u>

Capital Expenditure 2018/19

	£'000	%
Adults	4,568	4.9
Children & Families	24,354	26.1
Communities & Infrastructure		
Highways	49816	53.4
Strategic Infrastructure	1,813	1.9
Waste Disposal	702	0.8
Libraries	701	0.8
Community Safety	643	0.7
Business Support		
AMPS	8,018	8.6
ICT Projects	1,397	1.5
Archives & Information Mgt	-	-
Customer Services	751	0.8
Misc.	261	0.3
Capital Receipts Expenditure	211	0.2
	93,235	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 2018/19.

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
2017/18			
Property	547	689	1,372
Vehicles	255	202	-
	802	891	1,372
2018/19			
Property	430	834	1,577
Vehicles	168	113	-
	598	947	1,577

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:

	2017/18 £'000	2018/19 £'000
Property	555	438
Vehicles	267	285
	822	723

Council as Lessor

Finance Leases (IAS 17)

The Council has looked at all leases (including those that terminated at 31st March 2019) 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
2017/18			
Property	593	386	551
Total	593	386	551
2018/19			
Property	632	607	663
Total	632	607	663

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

	2017/18 £'000	2018/19 £'000
Property	1,368	1,310
Total	1,368	1,310

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

2018/19 was the sixteenth 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 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

2017/18	£'000	Payment	Reimbursement	Interest	Total
		for Services	of Capital Expenditure	£'000	£'000
721	Paid in 2018/19	534	90	115	739
Outstanding undischarged contract obligations:					
739	Payable within one year	552	98	107	757
3,144	Payable within two to five years	2,427	456	339	3,222
4,388	Payable within six to ten years	2,746	656	151	3,553
8,271	Total	5,725	1,210	597	7,532

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:

	2017/18	2018/19
	£'000	£'000
Balance outstanding at start of year	1,375	1,299
Payments during the year	-75	-90
Balance outstanding at year-end	1,300	1,209

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

	2017/18	2018/19
	£'000	£'000
Opening Net Book Value	1,045	839
Depreciation	-96	-97
Additions	7	-
Revaluations	-117	502
Balance	839	1,244

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 2019 (including an estimation of inflation and excluding estimations of availability/performance deductions) are as follows:

2017/18		Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
3,543	Paid in 2018/19	1,389	598	1,644	3,631
Outstanding undischarged contract obligations:					
3,631	Payable within one year	1,556	575	1,591	3,722
15,456	Payable within two to five years	7,599	2,416	5,828	15,843
21,595	Payable within six to ten years	12,365	3,837	5,933	22,135
24,433	Payable within eleven to fifteen years	15,540	5,390	4,114	25,044
23,290	Payable within sixteen to twenty years	11,184	5,710	1,137	18,031
88,405	Total	48,244	17,928	18,603	84,775

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:

	2017/18 £'000	2018/19 £'000
Balance outstanding at start of year	19,017	18,526
Payments during the year	-491	-598
Balance outstanding at year-end	18,526	17,928

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

	2017/18 £'000	2018/19 £'000
Opening Net Book Value	23,647	22,555
Depreciation	-1,168	-1,432
Additions	76	12
Revaluations		5,034
Closing Balance	22,555	26,169

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 £38 million in the four years before the asset becomes operational, which will reduce the revenue fee paid over the life of the contract.

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 Council 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 2018/19, incurring liabilities of £0.955 million (£1.534 million in 2017/18). 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 2018/19, the Council paid £14.72 million to the Teachers' Pensions Agency (TPA) in respect of teachers' retirement benefits, at 16.48% of pensionable pay. The figures for 2017/18 were £14.79 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	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Cost of Services:				
Service Cost Comprising:				
Current service cost	61,095	63,249	4,900	4,500
Past service costs	340	3,712	-	8,900
Losses / Gains (-) on settlements	-3,083	-1,377	-	-
Financing and Investment Income and Expenditure				
Net interest on the defined pension liability	13,184	13,225	6,000	6,700
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	71,536	78,809	10,900	20,100
<hr/>				
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount charged in the net interest expense)	18,544	24,839	-	-
Actuarial gains and losses arising on changes in demographic assumptions	-	-	2,500	17,900
Actuarial gains and losses arising on changes in financial assumptions	27,746	-123,349	3,900	-17,300
Other experience	1,742	-1,569	-12,800	7,100
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	48,032	-100,079	-6,400	7,700

	Local Government Pension Scheme	Unfunded - Firefighters' Pension Scheme		
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'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	-30,542	-47,046	1,700	-7,900
	-30,542	-47,046	1,700	-7,900

Actual amount charged against the General Fund Balance for pensions in the year:

Employers' contributions payable for unfunded teachers scheme & LGPS benefits (discretionary)	46,994	34,493	6,500	5,300
Employers' contributions payable to scheme for unfunded LGPS benefits (Discretionary)	4,123	3,970	-	-
Total employers contributions	51,117	38,463	6,500	5,300

Firefighters pension and lump sum benefit payments 7,600 7,048

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		
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Present value of the defined benefit obligation	1,551,933	1,744,254	243,100	250,000
Fair value of plan assets	-1,075,284	-1,127,180	-	-
Other movements in the liability (asset)	-	-	-	-
Net liability arising from defined benefit obligation	476,649	617,074	243,100	250,000

The Defined Benefit Pension Liability shown on the Balance Sheet totals £862.074 million which is £5 million less than the amounts shown above due to an advanced payment made to the LGPS pension fund in November 2017 of the 2019-20 pension employer contributions.

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

	Local Government Pension Scheme	Unfunded - Firefighters' Pension Scheme		
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Opening fair value of scheme assets	1,018,180	1,075,284		
Interest Income	26,602	29,002	-	-
Remeasurement Gain / Loss (-):			-	-
The return on plan assets, excluding the amount included in the net interest expense	18,544	24,839	-	-
-	-	-	-	-
The effect of changes in foreign exchange rates			-	-
Contributions from employer	51,117	38,463	-	-
Contributions from employees into the scheme	7,788	8,084	6,600	5,500
Benefits paid	-40,642	-41,724	1,000	1,100
Benefits paid for unfunded LGPS benefits (Discretionary)	-4,123	-3,970	-7,600	-6600
Assets distributed on settlement	-2,182	-2,798	-	-
Closing fair value of scheme assets	1,075,284	1,127,180	-	-

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

	Funded liabilities:		Unfunded liabilities:	
	Local Government Pension Scheme	2017/18 £'000	Firefighters' Pension Scheme	2018/19 £'000
Opening balance at 1 st April	-1,522,442	-1,551,933	-232,400	-243,100
Current service cost	-61,095	-63,249	-4,900	-13,400
Interest cost	-39,786	-42,227	-6,000	-6,700
Contributions from scheme participants	-7,788	-8,084	-1,000	-1,100
Remeasurement Losses / Gains (-):				
Actuarial gains/losses arising from changes in demographic assumptions	-	-	2,500	17,900
Actuarial gains/losses arising from changes in financial assumptions	27,746	-123,349	3,900	-17,300
Other experience	1,742	-1,569	-12,800	7,100
Past service costs (Including curtailments)	-340	-3,712	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	40,642	41,724	7,600	6,600
Benefits paid for unfunded teachers scheme & LGPS benefits (Discretionary)	4,123	3,970	-	-
Liabilities extinguished on settlements, where relevant	5,265	4,175	-	-
Closing balance at 31st March	-1,551,933	-1,744,254	-243,100	-250,000

Local Government Pension Scheme assets comprised:

	2017/18			2018/19		
	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	15,531	-	15,531	20,746	-	20,746
Equity Instruments:						
By Industry Type (a)						
Consumer	52,161	-	52,161	-	-	-
Manufacturing	27,963	-	27,963	-	-	-
Energy and utilities	20,459	-	20,459	-	-	-
Financial institutions	43,214	-	43,214	-	-	-
Health and care	17,289	-	17,289	-	-	-
Information Technology	2,670	-	2,670	-	-	-
Other	32,595	-	32,595	-	-	-
Sub-total equity (a)	196,351	-	196,351	-	-	-
Bonds by Sector:						
Corporate (investment grade)	50,446	-	50,446	115,151	-	115,151
Corporate (non-investment grade)	3,879	-	3,879	4,798	-	4,798
UK Government	77,882	-	77,882	35,484	-	35,484
Other	11,822	-	11,822	-	-	-
Sub-total bonds	144,029	-	144,029	155,433	-	155,433
Real Estate:						
UK Property	52,399	16,809	69,208	71,480	23,988	95,468
Overseas Property		5,835	5,835		6,965	6,965
Sub-total real estate	52,399	22,644	75,043	71,480	30,953	102,433
Private equity:						
All	-	2,733	2,733	-	2,488	2,488
Investment Funds and Unit Trusts:						
Equities	42,707	485,418	528,125	67,979	633,302	701,281
Bonds	65,022	6,034	71,056	90,092		90,092
Other		41,592	41,592		54,860	54,860
Sub-total investments funds and Unit Trusts	107,729	533,044	640,773	158,071	688,162	846,233
Derivatives:						
Forward foreign exchange contracts	603	-	603	-266	-	-266
Other	223	-	223	113	-	113
Sub-total derivatives	826	-	826	-153	-	-153
TOTAL ASSETS	516,865	558,421	1,075,286	405,577	721,603	1,127,180
Fair Value of Scheme						
				2017/18 £'000	2018/19 £'000	
Equity Instruments by Company size:-						
FTSE 100				130,318	-	-
FTSE 250				62,479	-	-
Pooled UK Smaller Companies				3,554	-	-
Sub-total equity instruments				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	
	2017/18	2018/19	2017/18	2018/19
Mortality assumptions:				
Longevity (yrs) at 65 (60 for Fire) for current pensioners:				
Men	22.4	22.4	28.6	27.3
Women	24.6	24.6	31.0	29.4
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	29.7	28.4
Women	26.4	26.4	32.2	30.6
Rate of Inflation	3.4%	3.5%	3.4%	3.5%
Rate of increase in salaries	2.7%	2.8%	3.4%	3.5%
Rate of increase in pensions **	2.4%	2.5%	2.4%	2.5%
Rate for discounting scheme liabilities #	2.7%	2.4%	2.7%	2.4%

** 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 2019	Approximate Increase	Approximate monetary amount	
	%	£'000	
Local Government Pension Scheme - Increase to Employer Liability			
0.5% decrease in Real Discount Rate	10%	170,122	
1 year increase in member life expectancy	3%	50,416	
0.5% increase in the Salary Increase Rate	1%	18,708	
0.5% increase in the Pension Increase Rate (CPI)	9%	149,025	
Fire Fighters Pension Scheme - Increase to Employer Liability			
0.5% decrease in Real Discount Rate	9%	22,726	
1 year increase in member life expectancy	3%	7,502	
0.5% increase in the Salary Increase Rate	<1%	2,192	
0.5% increase in the Pension Increase Rate (CPI)	8%	18,823	
Fire Fighters Pension Scheme - Increase to Projected Current Service Cost			
0.1% decrease in real Discount Rate	18%	847	
1 year increase in member life expectancy	3%	137	
0.5% increase in the Salary Increase Rate	<1%	10	
0.5% increase in the Pension Increase Rate (CPI)	10%	456	

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant 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 £48.2m expected contributions to the LGPS scheme and £1.3m for the Fire scheme in 2019/20.

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

		Duration	Duration
		2017/18	2018/19
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	17.1
Fire - Injury	Duration effective as at previous formal valuation - 31.03.16	20.1	20.7

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.

Pension Guarantees

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 2018-19 accounts.

Pyke Quarry and Oak Quarry

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 complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

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

- Credit risk – The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity risk – The possibility that the Council might not have the cash available to make contracted payments on time.
- Market risk – The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £30m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government), and £50m in any group of funds under the same management. The Council also sets limits on investments in certain sectors and no more than £200m in total can be invested for a period longer than one year.

The credit quality of £6m of the Council's investments is enhanced by collateral held in the form of covered bonds and covered Floating Rate Notes. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

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 table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity. This is based on principal sums outstanding at 31 March and excludes interest accruals:

	31/03/2018		31/03/2019	
	Short Term £m	Long Term £m	Short Term £m	Long Term £m
Banks and Building Societies Rated A- or Higher	41.0	0.0	67.1	0.0
Unrated Local Authorities	40.1	59.0	104.0	46.0
Unrated Housing Associations	5.0	5.0	5.0	5.0
Covered Instruments	31.2	6.4	4.9	1.4
Total	117.3	70.4	181.0	52.4
Credit risk not applicable *:				
Money Market Funds	16.9		20.2	
Pooled Funds	80.0		65.0	
Total	214.2	70.4	266.2	52.4

* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. A delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2019, £0.025m (2018: £0.041m) of loss allowances related to treasury investments. No adjustments have been made for this loss allowance as it is immaterial.

The Council's debtors, including any payments in advance made by the Council totalled £55.868m as at 31st March 2019, 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 2019 these debts totalled £5.747m.

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.

	2017/18 £'000	2018/19 £'000
Less than a month	-	-
One to three months	1,093	1,186
Three to six months	933	1,167
More than six months	2,734	3,394
	4,760	5,747

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 for both assets and liabilities is as follows:

	2017/18			2018/19
	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000
Less than one year	43,896	204,900	43,716	232,899
Between one and two years	7,863	35,900	7,963	54,000
Between two and five years	30,008	54,430	30,045	36,430
Between five and ten years	29,500	-	21,500	-
Between ten and twenty years	29,000	-	35,000	-
Between twenty and thirty years	58,671	-	64,328	-
Between thirty and forty years	89,557	-	77,900	-
Finance Lease Liability	19,825	-	19,138	-
	308,320	295,230	299,590	323,329

The Council has £35.05m (2018: £35.05m) of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain, however as all these loans are under a six monthly call they are included in the "less than one year" category.

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 2019, 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	643
Impact on Surplus or Deficit on the Provision of Services	643

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. A 5% fall in commercial property prices at 31st March 2019 would result in a £1.5m (2018: £1.5m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £15m. A 5% fall in share prices at 31st March 2019 would result in a £0.75m (2018: £0m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

Foreign Exchange Risk

The Council 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 2019 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 2018	Income	Expenditure	Balance at 31 st March 2019
	£	£	£	£
Libraries 2 trusts providing books for libraries	2,793	183	-178	2,798
Gloucestershire Heritage Trust Ltd Preserves and renovates specific buildings and areas which are of historic interest	7,004	-	-	7,004
Gloucestershire War Relief The awarding of grants relating to service in the Great War	411	-	-	411
Total	10,208	183	-178	10,213

In addition to the above Trust Funds, the Council is holding £27,707 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 / lightening / 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 £2.310 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 2019. (£2.420 million in 2017/18)

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 2019:

	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	8,488	-4,121	-4,533	166
Non-Domestic Rates Collection	1,495	-16,717	13,906	1,316
Total	9,983	-20,838	9,373	1,482

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 £9.829 million following the transfer of six schools to academy status during 2018/19. Six schools converted to Academy status in 2017/18 totalling £18.782 million.

40. Prior Period Adjustment

Following a review and reconciliation of the Asset Register it was found that the balances on the Revaluation Reserve and the Capital Adjustment Account in the 2017/18 accounts were mis-stated by £27.92 million. As a result a prior period adjustment has been undertaken, whereby the Revaluation Reserve and Capital Adjustment Account have been restated. This realignment, within Unusable Reserves, has no impact on either the cash position or the net worth of the Council over this period

Revaluation Reserve	2017/18
	£'000
Balance Previously Reported	230,210
Revaluation Adjustment	27,923
Restated Balance	258,133

Capital Adjustment Account	2017/18
	£'000
Balance Previously Reported	665,596
Revaluation Adjustment	-27,923
Restated Balance	637,673

41. Revenue from Contracts with Service Recipients

Following a review of fees & charges Income summarised in note 4, with the adoption of IFRS 15, the Council has identified material contractual arrangements in relation to Adult Social Care provision under deferred payments (where care users use the value of their home to help pay care home costs) and client contributions (based on an assessment of how much care users must contribute towards the cost of their care).

The following amounts were recognised as income within the Comprehensive Income and Expenditure Statement for these contracts:-

	2017/18	2018/19
	£'000	£'000
Client Contributions	-25,218	-26,457
Deferred Payments	-2,045	-262
Total Income	-27,263	-26,719

There were no material arrangements identified with performance obligations, so the income has been recognised on the date the Council provided the goods or services for all contracts with service recipients. Further details of the income received by the Council through other contract arrangements are included within the fees, charges and other services income line within Note 18, Expenditure and Income Analysed by Nature.

The following amounts were included as debtors in the balance sheet for adult social care contracts with service recipients:-

	2017/18	2018/19
	£'000	£'000
Client Contributions	502	721
Deferred Payments	6,224	5,122
Total Income	6,726	5,843

42. Statement of Accounting 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 2018/19 financial statements, are described in the following Accounting Policies.

General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom 2018/19 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.

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 are subject to insignificant risk of changes in value 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.

Council Tax and Non Domestic Rates (NDR)

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.

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

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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 Local Government Pension Scheme (LGPS) is accounted for as a defined benefits scheme hence:

- The liabilities of the LGPS attributable to the Council are included in the balance sheet on an actuarial basis, using the projected unit method.
- Liabilities are discounted to their value at current prices, using a discount rate that is based upon indicative rate of return on a high rated corporate bond equivalent to the Scheme's liabilities.
- The Assets of the LGPS attributable to the Council are included in the balance sheet at their fair value.
- The Change in net pensions liability is analysed into the following components:-
 - Service Costs comprising:-
 - Current Service Cost – the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years is debited to the Surplus or Deficit on the provision of Services in the Comprehensive Income and Expenditure Statement.
 - Net Interest on the net defined benefit liability (asset), ie. net increase expense for the Council – the change during the period in the net defined benefit liability (asset) arises from the passage of the time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
 - Remeasurements comprising:-
 - The return on plan assets – excluding amounts included in the net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Contributions paid to the Gloucestershire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

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

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

Where, 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost where material, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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.

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

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on goods or services transferred to the service recipient during the financial year.

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. The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

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 with any material changes to asset valuations being adjusted in the interim periods.

	Value (post revaluation) & Date of Last Revaluation	Value (NBV @ 31/03/19) & Date of next Revaluation
All Maintained Schools	£576m 2018/19	£588m 2019/20
All Non-School Land & Buildings	£202m 2018/19	£210m 2020/21

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 estimated at highest and best use from a market participant's perspective, in accordance with the Code, following the adoption of IFRS 13.

When asset values rise above the amount at acquisition 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:

<i>Buildings</i>	Permanent	Up to 100 years
	Temporary	20-25 years
	Leased	Period of lease
<i>Infrastructure</i>	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 on the following basis:-
- 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 asset.
- 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.

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 Council's 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.

2017-18 Number of Schools	Maintained Schools included in the Fixed Asset Register	2018-19 Number of Schools
4	Alternative Provision Schools	4
90	Community Mainstream Schools	88
8	Community Special Schools	8
21	Foundation Schools	19
39	Voluntary Aided Schools	39
52	Voluntary Controlled Schools	50
214	Total on Balance Sheet	208

2017-18 Number of Schools	Academies and Free Schools not included in the Fixed Asset Register	2018-19 Number of Schools
16	Academies Sponsor Led	19
65	Academy Converters	68
1	University Technical College	1
3	Academy Special Schools Sponsor Led	3
1	Free Alternative Provision Schools	1
3	Free Schools	2
89	Total off Balance Sheet	94

303	Total Maintained Schools, Academies and Free Schools	302
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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,
- b) Payment for the PFI asset, including finance costs,
- c) contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- d) payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease) and,
- e) lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

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 non-current assets, financial instruments, local taxation, retirement and employee 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.

• IFRS 16 Leases

CIPFA/LASAAC has now deferred the implementation of IFRS 16 for Local Government until 1st April 2020. The accounting standard requires that where Local Authorities have lease arrangements where they are the lessee, to recognise these on their balance sheet as a right of use asset with corresponding lease liabilities. Exemption does exist for leases of small value and of short term duration.

The Council are currently undertaking a review to assess the likely impact of this change in accounting standards.

- **IAS40 Investment Properties**

Amendments to the way in which assets can be reclassified as investment properties have been made to this standard. This is unlikely to have any impact on the Council's accounts as the Council does not currently have any assets held for investment purposes.

- **IFRS9 Financial Instruments: Prepayment features with negative compensation**

Amended clarification that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. This is not likely to have any material impact on the Council's accounts.

- **IFRIC22 Foreign Currency Transactions and IFRIC23 Uncertainty on Income Tax Payments**

Minor amendments to these accounting standards have been made. These are unlikely to have any material impact on the Council's accounts.

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. A 20% increase in the annual depreciation charge for non School related assets would currently equate to £0.8 million.

- **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 are provided within Note 32.

Gloucestershire Pension Fund**Fund Account for the year ended 31st March 2019**

2017/18	2018/19	Note
£'000	£'000	
Contributions		
-112,820 employer contributions	-93,016	N20
-17,795 member contributions	-18,114	N20
-130,615	-111,130	N7
Transfers in from other pension funds		
-6,733 individual transfers from other schemes or funds	-6,736	
- group transfers from other schemes or funds	-	
-6,733	-6,736	
Other income		
-143 recoveries for services provided	-132	N22
Benefits		
65,927 pensions	69,453	N32
11,090 commutation of pensions and lump sum retirement benefits	12,203	
1,153 lump sum death benefits	1,804	
78,170	83,460	N7
Payments to and on account of leavers		
239 refunds to members leaving scheme or fund	336	
58 payments for members joining state scheme or fund	36	
5,974 individual transfers to other schemes or funds	4,992	
- group transfers to other schemes or funds	-	
6,271	5,364	
-53,050 Net (additions) / withdrawals from dealings with members	-29,174	
7,418 Management Expenses	8,442	N22
-45,632 Net (additions) / withdrawals including fund management expenses	-20,732	
Returns on investments		
-30,856 Investment income	-27,684	N15
7 Taxes on income	3	N3 & N15
-74,344 Profit(-) and losses on disposal of investments and changes in market value of investments	-90,864	N4
-105,193 Net returns on investments	-118,545	
-150,825 NET INCREASE (-) / DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR	-139,277	
2,088,616 Opening net assets of the scheme	2,239,441	
2,239,441 Closing net assets of the scheme	2,378,718	

Gloucestershire Pension Fund

Net Assets Statement as at 31st March 2019

2017/18 re-stated £'000	2018/19 £'000	Note
Investment assets		
288,855 Bonds	323,927	
380,754 Equities	-	
1,331,728 Pooled investment vehicles	1,829,558	N10 & N34a
176,138 Property unit trusts	192,478	N10 & N34a
710 Derivative contracts	1,297	N2 & N17
5,624 Other investments - Venture Capital/Private Equity	4,972	N10
23,118 Cash held on behalf of the investment managers	11,753	N27
5,871 Other investment balances	4,450	
2,212,798	2,368,435	N14
Long term investment assets		
840 Brunel Pension Partnership	395	N9
840	395	
Investment liabilities		
-320 Derivative contracts	-1,429	N2 & N17
-552 Other investment balances	-1,412	
-872	-2,841	N14
2,212,766 Total net investments	2,365,989	
Long term assets		
282 Contributions due from employers	440	
1,236 Other long term assets (debtors)	618	
1,518	1,058	N14 & N24
Current assets		
4,121 Contributions due from employers	4,708	
539 Other current assets	410	
618 Money due re. transfer of staff to another pension scheme	618	
156 Payments in advance	256	
21,748 Cash balances	8,006	N2, N23, N27
27,182	13,998	N14 & N24
Current liabilities		
-16 Unpaid benefits	-26	
-2,009 Other current liabilities	-2,301	
-2,025	-2,327	N14 & N25
2,239,441 Net assets of the scheme available to fund benefits at the reporting period end	2,378,718	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 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)

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.

Membership Breakdown

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Fire fighters, police and teachers have their own separate nationally-administered schemes.

Membership details are set out below:

	31st March 2018	31st March 2019
Number of employers	201	205
Number of employees in the scheme		
County Council	10,079	10,241
Other employers	8,751	8,728
	<hr/> 18,830	<hr/> 18,969
Number of pensioners		
County Council	9,077	9,476
Other employers	6,276	6,582
	<hr/> 15,353	<hr/> 16,058
Deferred pensioners		
County Council	11,555	11,996
Other employers	7,908	8,421
	<hr/> 19,463	<hr/> 20,417
Total number of members in pension scheme	<hr/> 53,646	<hr/> 55,444

In addition there were 4,690 (6,122 2017/18) undecided or unprocessed leavers.

Undecided leavers are those members who are no longer accruing service and to whom a refund of contributions or transfer out may be due.

Unprocessed leavers are those members which represent cases where we are aware that a member has left, but that case has not yet been processed.

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2019. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31st March 2016. Currently, employer contribution rates range from 14.9% to 40.9% of pensionable pay.

Benefits

Prior to 1st April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. 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 uprated annually in line with Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website.

N2. Summary of significant accounting policies

Basis of preparation

The Statement of Accounts summarises the Funds' transactions for the 2018/19 financial year and its position at year end as at 31st March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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.

The items within the Net Asset Statement as at 31 March 2019, for which there is a risk of material adjustment in the forthcoming year, are highlighted below:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 26)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied	<p>The effects on the net pension liability of changes in the individual assumptions can be measured as follows:</p> <ul style="list-style-type: none"> - A 0.5% decrease in the real discount rate would increase the liability by £360m - A 0.5% increase in the pension increase rate would increase the liability by £289m - A 0.5% increase in the salary increase rate would increase the liability by £50m

Private Equity, Infrastructure and Private Debt	Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of Private equity, Infrastructure and Private Debt investments in the financial statements as at 31st March 2019 are £49.646m. There is a risk that these investments may be under or overstated in the accounts, see Note 28.
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Contribution Income

Income and expenditure have been accounted for on an accruals basis and 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

Investment Management Expenses comprise of expenses which are incurred in relation to the management of pension fund assets. Where an investment manager's fee has not been received by the reporting period end date, an estimate based upon the market value of the mandate at the end of the reporting period has been used. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note N22 and grossed up to increase the change in value of investments.

Hermes deducts its fees from a combination of assets held and income distributions and is included within Investment Management Expenses. Technology Venture Partners (TVP) and Yorkshire Fund Managers (YFM) deduct their fees from the value of the assets under their management. Fees for TVP and YFM have not been included as they are the legal responsibility of the managers and not the Fund. Brunel Pension Partnership (BPP) passive global equity pooled funds encash units to cover their fees and these have been included within Investment Management Expenses. Fees incurred in relation to BPP's ACS fund have also been included within Investment Management Expenses.

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 and cash equivalents

Cash comprises cash in hand (bank) and demand deposits (money market funds) which also includes amounts held by the Fund's custodian on behalf of its investment managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

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.

The Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards.

As permitted under the Code, the Fund has included a note disclosing the actuarial present value of retirement benefits by way of a note to the net asset statement in Note N26.

Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

Valuation of assets

The SORP requires securities to be valued on a Fair Value Basis therefore assets and liabilities, where there is an active and readily available market price, are valued at the bid price. Where assets do not actively trade through established exchange mechanisms, a price is obtained from the manager of the investment asset through their quarterly reports. Further details of their approach to establishing fair value can be found within Note N28, Basis of Valuation table. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates prevailing as at 31st March 2019. 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 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. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for movements to the year end.

Financial assets are included in the financial statements on a fair value basis at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from the changes in the fair value of the asset are recognised in the Fund Account.

The values of investment as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association).

Gloucestershire Pension Fund and the nine other shareholders each hold a 10% share in Brunel Pension Partnership Ltd (company number 10429110). As such, no fund is deemed to have a significant influence and this long term investment is accounted for at fair value. The asset was initially measured at cost and is subsequently revalued for any impairment.

The accounts for the year ended 31st March 2019 use the valuations for the Fund's assets based on the figures provided by the Fund's custodian, State Street.

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. 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**2018/19**

	Market Value at 31 st March 2018	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 31 st March 2019
Asset Class	£'000	£'000	£'000	£'000	£'000
Bonds	288,855	263,080	-229,080	1,072	323,927
Equities	380,754	43,721	-404,809	-19,666	-
Pooled Investments	1,331,728	1,622,774	-1,225,416	100,472	1,829,558
Property Unit Trusts	176,138	7,192	-	9,148	192,478
Private Equity	5,624	36	-2,198	1,510	4,972
	2,183,099	1,936,803	-1,861,503	92,536	2,350,935
Derivative contracts:					
Futures	203	2,945	-1,657	-2,033	-542
Forward currency contracts	187	-	-	223	410
	390	2,945	-1,657	-1,810	-132
Long term investment assets					
Brunel Pension Partnership	840	-	-	-445	395
	840	-	-	-445	395
Net Investment Assets	2,184,329	1,939,748	-1,863,160	90,281	2,351,198

In addition to the investments there was £27,520k (£55,112k 2017/18) in cash, cash equivalents and accruals. Cash movements, currency adjustments and other end of year settlements totalled £583k (£11,573k 2017/18). As a result the total profit (-) and losses on disposal of investments and changes in market value of investments was -£90.9m (-£74.3m 2017/18).

2017/18**re-stated**

	Market Value at 31 st 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 31 st 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*	1,252,164	78,306	-74,061	75,319	1,331,728
Property Unit Trusts*	134,719	34,475	-463	7,407	176,138
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, cash equivalents 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).

*After further investigation by the investment manager in 2018/19 the asset classification of investments with a net value of £2,245k were moved within the pooled funds and property unit trust asset classifications. The 2017/18 comparable figures have been amended to reflect that change; please see note N34 (a) for details.

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:

	2017/18		2018/19	
	£'000	%	£'000	%
Investments managed by the Brunel Pension Partnership regional asset pool				
Legal & General Investment Management	-	-	521,215	21.9
Brunel ACS UK Equity Fund	-	-	365,801	15.4
Brunel Private Equity and Infrastructure Portfolio	-	-	2,329	0.1
	-	-	889,345	37.4
Investments managed outside of the Brunel Pension Partnership regional asset pool				
BlackRock	1,038,727	46.4	619,296	26.0
Bluebay Asset Management	6,166	0.3	22,252	0.9
CBRE	54,631	2.4	61,678	2.6
Golub Capital Partners International	10,693	0.5	20,145	0.9
Hermes Investment Management Property Unit Trust	131,618	5.9	140,675	5.9
Aberdeen Standard Investments (formerly Standard Life)	471,680	21.1	79,360	3.3
Technology Venture Partners	3,635	0.1	3,629	0.2
Western Asset Management Company	492,635	22.0	527,664	22.2
Yorkshire Fund Managers (YFM)	1,989	0.1	1,342	0.1
	2,211,774	98.8	1,476,041	62.1
Total - External Managers	2,211,774	98.8	2,365,386	99.5
In-house cash and accruals	26,676	1.2	12,730	0.5
Cash instruments with Custodian	151	0.0	207	0.0
Brunel Pension Partnership (Shareholding)	840	0.0	395	0.0
	2,239,441	100.0	2,378,718	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.goucestershire.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

	2017/18		2018/19	
	Contributions receivable £'000	Benefits payable £'000	Contributions receivable £'000	Benefits payable £'000
Gloucestershire County Council [Administering authority]	54,853	41,302	**42,619	44,342
Scheduled bodies (162 18/19) (157 17/18)* [Bodies admitted by right]	66,742	32,048	**46,784	33,487
Admitted bodies (42 18/19) (43 17/18)* [Bodies admitted by agreement]	9,020	4,820	***21,727	5,631
	130,615	78,170	111,130	83,460

Scheduled bodies now include 96 (91 17/18) schools who have converted to academy status.

* These numbers relate to active employers with active members

** During 2017/18, Gloucestershire County Council and three scheduled bodies made the decision to pay lump sum deficit contributions to the Fund to benefit from earning greater investment returns in the short term resulting in reduced contribution payments owing in future years.

*** During 2018/19, two Admitted Body employers left the scheme and paid one-off exit payments, as calculated by the Fund actuary, resulting in an increase in contributions received in comparison to previous years

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.goucestershire.gov.uk/extra/pensions/investments. 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.

	2017/18 £'000	2018/19 £'000
Administrative expenses	1,743	2,128

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 and Acting Director: Strategic Finance's remuneration costs were recharged to the Fund to reflect time spent supporting the Fund. These consisted of salary, fees and allowances of £10,820 (£11,030 2017/18) and employers' pension contributions of £3,235 (£3,188 2017/18).

The Director and Acting Director: Strategic Finance are members of the Fund as contributing Gloucestershire County Council employees. This does not impact on their 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. Five members of the Pension Committee were also District Council members as at 31st March 2019 and these are detailed below:

Member	District Council
Cllr. D. Brown	Gloucester City Council
Cllr. N Cooper	Stroud District Council
Cllr. S. Parsons	Cotswold District Council
Cllr. L. Stowe	Cotswold District Council
Cllr. R. Theodoulou	Cotswold 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. N. Cooper is a governor of Archway School. Ubico Limited 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:

	2017/18 £'000	2018/19 £'000
Income	-	-
Expenditure	-	-
Debtors	283	
Creditors	-	256
	<hr/>	<hr/>
	283	256

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 their 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.), (0.9 F.T.E. 2017/18) is set out below.

	2017/18 £'000	2018/19 £'000
Short-term benefits	80	72
Post-employment benefits	44	36
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<hr/>	<hr/>
	124	108

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. These commitments relate to investments in private debt, property funds and private equity and infrastructure and are requested as and when the respective investment manager identifies an investment opportunity. The amounts requested can therefore be irregular in both size and timing. It is estimated that the private debt funds will have drawn down 80-85% of their total commitment by the end of 2020 and may then start returning funds as investments mature rather than draw down the entire commitment. Brunel has indicated that funds may be fully drawn down by 2023 and CBRE anticipates that funds may be fully drawn down in the next financial year.

The following table shows the Fund's total commitment and the remaining liability, following drawdowns, at the year end.

	Total Commitment £'000	Outstanding liability 2017/18 £'000	Outstanding liability 2018/19 £'000
Bluebay Asset Management LLP (private debt)	50,000	43,869	27,730
Chandos Fund (private equity)	3,000	36	-
CBRE (property)	41,000	4,381	1,531
Golub Capital Partners International (private debt)	40,000	28,396	19,625
Brunel Pension Partnership (private equity & infrastructure)	86,000	-	83,681
	220,000	76,682	132,567

Fourteen admitted body employers in the Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2018/19 (2017/18 nil).

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 (17/18 £38,504) has been identified as possible additional contributions from ex members of staff, during 2019/20 and future years.

N12. Unquoted holdings

The following holdings are unquoted:

	2017/18 £'000	2017/18 £'000	2018/19 £'000
re-stated			
Pooled investment vehicles			
UK equity unit trust	-	-	365,801
UK equity unitised insurance policy	-	-	13,245
Overseas equity unitised insurance policy	600,996	600,996	681,244
Global equity unitised insurance policy	294,827	294,827	303,244
Global multi asset unitised insurance policy	77,877	77,877	78,167
UK property managed fund	3,710	7,289	8,174
Overseas fixed interest managed fund*	184,099	184,099	183,405
UK property limited liability partnership	1,809	475	476
UK private debt limited liability partnership	6,166	6,166	22,252
Overseas private debt limited liability partnership	10,693	10,693	20,145
UK Infrastructure limited liability partnership	-	-	1,797
Overseas fixed interest limited liability partnership	5,248	5,248	-
Overseas private equity limited liability partnership	-	-	480
	1,185,425	1,187,670	1,678,430
Property unit trusts			
UK property unit trust	30,632	34,591	38,196
Overseas property unit trust	16,134	9,930	13,608
	46,766	44,521	51,804
Total	1,232,191	1,232,191	1,730,234

Investments managed by one of the property managers have been re-assessed and their asset classification changed. The 2017/18 comparable figures have been amended to reflect that change. See Note N34 (a) for more details.

N13. Stocklending

The Pension Funds' custodian has been authorised to release stock to third parties under a stock lending arrangement. At 31st March 2019 the value of stock out on loan was £1.6m which was in UK Government stock, (In 17/18 the value out on loan was £41.6m of which £32.9m was in UK Equities and £8.7m in UK Government stock).

Collateral of £1.7m (£44.2m) equal to 106.4% (106.2%) of stock out on loan was held in the form of UK equities.

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

		2017/18 £'000	2017/18 £'000	2018/19 £'000	Note
		re-stated			
Financial assets					
Bonds					
UK	- Public Sector	- Quoted	137,004	137,004	46,521
	- Corporate	- Quoted	121,319	121,319	256,694
Overseas	- Public Sector	- Quoted	23,887	23,887	1,741
	- Corporate	- Quoted	6,645	6,645	18,971
			288,855	288,855	323,927
Equities					
UK	- Quoted		380,754	380,754	-
Pooled investment vehicles					
Unit Trusts					
UK	- Equities	- Unquoted	-	-	365,801
	Overseas	- Equities	- Quoted	142,866	142,866
					142,740
Unitised Insurance Policies					
UK	- Equities	- Unquoted	-	-	13,245
	Overseas	- Equities	- Unquoted *	600,996	600,996
	Global	- Equities	- Unquoted *	294,827	294,827
	Global	- Multi Asset	- Unquoted *	77,877	77,877
					303,244
					78,167
Other Managed Funds					
O.E.I.C.'s					
Overseas	- Fixed interest	- Quoted *	1,192	1,192	8,388
	Overseas	- Fixed interest	- Unquoted *	184,099	184,099
	UK	- Property	- Unquoted	3,710	7,289
					8,174
					N34 a
Limited Liability Partnerships					
UK	- Private Debt	- Unquoted	6,166	6,166	22,252
	Overseas	- Private Debt	- Unquoted	10,693	10,693
	UK	- Property	- Unquoted	1,809	475
	UK	- Infrastructure	- Unquoted	-	476
	Overseas	- Private Equity	- Unquoted *	-	1,797
	Overseas	- Fixed interest	- Unquoted	-	480
			5,248	5,248	-
				1,329,483	1,331,728
					1,829,558
Property Unit Trusts					
UK	- Quoted		131,617	131,617	140,674
	- Unquoted		30,632	34,591	38,196
	Overseas	- Unquoted	16,134	9,930	13,608
			178,383	176,138	192,478
					N10
Derivative Contracts					
Futures - UK			299	299	-
	- Overseas		-	-	773
Forward foreign exchange contracts			411	411	524
			710	710	1,297
					N17
Other Investments					
Venture Capital/Private Equity - UK			5,624	5,624	4,972
			5,624	5,624	4,972
					N10
Cash (Managers)					
Cash instruments	- UK		20,149	20,149	7,043
	- Overseas		1,915	1,915	2,142
Cash deposits	- UK		716	716	1,334
	- Overseas		338	338	1,234
			23,118	23,118	11,753
Other investment balances					
Debtors					
Outstanding settlement of investment transactions			502	502	-
Accrued dividend income and tax reclaims due on dividend income			5,369	5,369	4,450
			5,871	5,871	4,450
Long term financial assets					
Brunel Pension Partnership			840	840	395
			840	840	395
Total Financial Assets			2,213,638	2,213,638	2,368,830
					N9

	2017/18 £'000	2017/18 £'000	2018/19 £'000	Note
Financial Liabilities				
Derivative Contracts				
Futures - UK	-	-	-70	
- Overseas	-96	-96	-1,245	
Forward foreign exchange contracts	-224	-224	-114	
	-320	-320	-1,429	N17
Other investment balances				
Creditors				
Outstanding settlement of investment transactions	-552	-552	-1,412	
Total Financial Liabilities	-872	-872	-2,841	
Long Term Assets				
Contributions due from employers	282	282	440	
Money due re. transfer of staff to another pension scheme	1,236	1,236	618	
	1,518	1,518	1,058	N24
Current Assets				
Contributions due from employers	4,121	4,121	4,708	
Other current assets (debtors)	539	539	410	
Money due re. transfer of staff to another pension scheme	618	618	618	
Payments in advance	156	156	256	
Cash balances	21,748	21,748	8,006	N23
	27,182	27,182	13,998	N24
Current Liabilities				
Unpaid benefits	-16	-16	-26	
Other liabilities (creditors)	-2,009	-2,009	-2,301	
	-2,025	-2,025	-2,327	N25
TOTAL	2,239,441	2,239,441	2,378,718	

* These overseas pooled funds may incorporate some UK assets.

N15. Investment income

Investment income arises from the following investment categories:

	2017/18 £'000	2018/19 £'000
Bonds	9,305	9,293
Equities	14,038	9,957
Pooled investment vehicles	6,920	9,658
Interest on cash deposits	121	99
Private equity*	393	-1,401
<u>Other income from stocklending, underwriting and class actions</u>	<u>79</u>	<u>78</u>
	30,856	27,684
Withholding tax	-7	-3
	30,849	27,681

* During the year the Private Equity managers confirmed that historic cash distributions should have been treated as a return of capital rather than dividend income. Therefore all income received since 2011 has been removed from dividends and has been used to reduce the book cost of the investments resulting in an increase in unrealised profit.

In November 2018 assets were transferred from the manager of the directly held UK equity portfolio to a pooled fund managed by the Brunel Pension Partnership (BPP). The investment income arising from the underlying investments of this pooled fund is reinvested and reflected in the unit price rather than as income received.

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 2018 £'000	31st March 2019 £'000
The Prudential Assurance Company Limited	7,005	6,880
Phoenix Life Limited	20	18
	<hr/> 7,025	<hr/> 6,898

AVC Contributions of £647k were paid directly to Prudential during the year (£763k in 2017/18) and included additional death in service premiums totalling £4k (£5k in 2017/18). 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.

Derivative Contract Analysis

	Contract type*	2017/18 Notional Value £'000	2018/19 Notional Value £'000	Expiration	2017/18 Market Value £'000	2018/19 Market Value £'000
INVESTMENT ASSETS						
Futures						
UK - Fixed Interest						
UK Long Gilt Future	ET	15,967	-	Less than 3 months	299	-
UK Futures		15,967	-		299	-
Overseas - Fixed Interest						
US Treasury Long Bond Future	ET	-	1,723	Less than 3 months	-	47
US 5yr Note Future	ET	-	68,801	Less than 3 months	-	726
		-	70,524		-	773
Total Futures		15,967	70,524		299	773
Forward foreign exchange contracts	OTC	21,237	42,329	Less than 3 months	411	524
Total Derivative Assets		37,204	112,853		710	1,297
INVESTMENT LIABILITIES						
Futures						
UK - Fixed Interest						
UK Long Gilt Future	ET	-	-4,528	Less than 3 months	-	-70
UK Futures		-	-4,528		-	-70
Overseas - Fixed Interest						
German Euro-Bund Future	ET	-1,677	-36,838	Less than 3 months	-25	-795
US 10yr Note Future	ET	-	-13,155	Less than 3 months	-	-223
US Treasury Bond Future	ET	-2,288	-6,446	Less than 3 months	-71	-227
Overseas Futures		-3,965	-56,439		-96	-1,245
Total Futures		-3,965	-60,967		-96	-1,315
Forward foreign exchange contracts	OTC	26,452	15,407	Less than 3 months	-224	-114
Total Derivative Liabilities		22,487	-45,560		-320	-1,429
Net Futures					390	-132

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

A breakdown of the open forward foreign exchange contracts at 31st March 2019 is given below:-

Open Forward Currency Contracts at 31st March 2019

Settlement	Currency bought	Local Value 000	Currency sold	Local Value 000	Asset Value £000	Liability Value £000
Up to six months	GBP	20,419	EUR	23,158	435	
Up to six months	GBP	6,707	USD	8,728	23	
Up to six months	GBP	4,190	EUR	4,823	21	
Up to six months	GBP	5,375	USD	6,994	19	
Up to six months	GBP	3,127	USD	4,070	10	
Up to three months	USD	2,200	GBP	1,676	9	
Up to three months	USD	950	GBP	721	7	
Up to six months	GBP	114	NZD	218	-	
Up to six months	GBP	5,735	USD	7,573		-52
Up to six months	EUR	1,458	GBP	1,288		-30
Up to six months	USD	4,235	GBP	3,253		-9
Up to six months	GBP	1,333	AUD	2,465		-7
Up to six months	GBP	657	HKD	6,792		-6
Up to six months	GBP	440	JPY	63,944		-4
Up to three months	GBP	199	EUR	233		-2
Up to three months	GBP	1,147	USD	1,500		-2
Up to three months	GBP	191	EUR	222		-1
Up to three months	GBP	1,033	USD	1,350		-1
Up to six months	GBP	131	SGD	232		-
Open forward currency contracts at 31st March 2019						524
Net forward currency contracts at 31st March 2019						410
Prior year comparative						
Open forward currency contracts at 31st March 2018						411
Net forward currency contracts at 31st March 2018						-224
						187

N18. Investments exceeding 5% of Total Net Assets

At 31st March 2019 the Pension Fund held eight, (2017/18, five) investments that each exceeded 5% of the total value of the net assets of the scheme. These eight investments totalled £1,704,544k out of a total market value for the Fund of £2,378,718k. These are detailed as follows:

Investments exceeding 5% of Total Net Assets	2017/18		2018/19	
	£'000	%	£'000	%
BlackRock Global Equity Fund	600,996	26.8	476,518	20.3
Brunel ACS UK Equity Fund	-	-	365,801	15.4
Legg Mason Global Funds - WA GMS	184,098	8.2	183,405	7.7
Legal & General Multi Factor North America Fund	-	-	142,913	6.0
BlackRock Emerging Markets Index Fund	142,866	6.4	142,740	6.0
Hermes Property Unit Trust	131,617	5.9	140,674	5.9
Legal & General Developed World Equity Index Fund	-	-	127,496	5.3
Legal & General Developed World Equity Hedged Currency Index Fund	-	-	124,997	5.2
BlackRock Aquila Life MSCI Developed World (Hedged)	187,939	8.4	-	-
	1,247,516	55.7	1,704,544	71.8

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 Brunel ACS UK Equity Fund is a Unit Trust.

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.

The Legal & General Funds are passively managed Unitised Insurance Policies .

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.

	2017/18 £'000	2018/19 £'000
Discretionary Payments	1,083	1,100

N20. Contributions breakdown	2017/18 £'000	2018/19 £'000
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From Employers:		
Normal	52,632	54,499
Augmentation	-	-
Deficit Funding *	58,112	22,349
Section 75 debt (cessation of employer)	-150	13,447
Other	2,226	2,721
	112,820	93,016

From Members:		
Normal	17,400	17,869
Additional Voluntary	395	245
	17,795	18,114

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 lump sum deficit contributions totalling £27.223m to the Fund in Year 1 of the valuation period relating to 2018/19 and 2019/20. These early payments benefitted from earning greater investment returns in the short term resulting in reduced contribution payments owing in future years. Employers who left the scheme during 2018/19 paid outstanding deficit payments, where necessary, and this was included under Section 75 debt.

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 and at 31st March 2019 there were no accrued early retirements due to the Fund (2017/18 £0.1m).

Excess ill health retirement costs are invoiced for as they arise and funding level payments are made by an employer voluntarily. At 31st March 2019 £505k (2017/18 £0) was due to the Pension fund for ill health retirement costs which have been accrued; £235k of which (2017/18 £0) is being spread over two years.

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 2019 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*.

<u>Management expenses</u>	2017/18 £'000	2018/19 £'000
Investment management expenses *	5,783	6,492
Administration expenses	1,217	1,397
Oversight & governance	418	553
	7,418	8,442

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

Investment management expenses are generally set on a fixed fee basis, calculated using the market value of each portfolio. The cost of investment management expenses varies with the value of assets under management.

The increased investment management expenses during the period relates in part to the operational activities of the Brunel Pension Partnership (BPP) asset pool of which Gloucestershire pension fund is an equal shareholder. The remaining increase in expenses is as a result of the increase in value of assets under management during the period.

The increase in Administration Expenses is largely due to an increase in staff costs and overhead recharges. The increase in Oversight & Governance is mainly due to an increase in actuarial fees in the pre triennial valuation period and an increase in performance monitoring costs.

Within Oversight and Governance costs there were actuarial expenses of £126,358 (£130,410 2017/18) 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 £5,328 for pension reimbursements.

Investment management expenses	2017/18 £'000	2018/19 £'000
Fund value based management fees - invoiced	3,723	4,798
- deducted from investment	863	544
	4,586	5,342
Performance fee		
- invoiced	-	-
- deducted from investment	432	544
	432	544
	5,018	5,886
Transaction costs		
- equities	649	233
- derivatives	2	27
- bonds	-	1
- pooled funds	5	167
	656	428
Custody costs	101	176
Tax and legal costs	8	2
	5,783	6,492

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.

Audit Fees

Audit fees of £18,325 (£23,799 in 2017/18) were incurred in relation to Grant Thornton UK LLP, the auditors appointed by the Public Sector Audit Appointments Ltd for external audit services.

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 £427,453 (£656,256 2017/18) 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 decreased in 2018/19 largely due to a re-organisation of investment managers which resulted in a large number of directly held equities being sold part way through the year and the money used to purchase pooled funds.

N23. Cash

From the 1st April 2010 the Pension Fund has had its own bank account. At 31st March 2019 cash of £8.0m (£21.7m in 2017/18) was invested through the County Council's short-term investment procedures. During the year the average investment balance was £12.3m (£11.4m 2017/18) earning interest of £65.6k (£25.5k 2017/18).

N24. Current & long term assets

	2017/18 £'000	2018/19 £'000
Current assets		
Contributions due - Employees	743	816
Contributions due - Employers	3,378	3,892
Sundry debtors	539	410
Payment in advance	156	256
Money due re. transfer of staff to another pension scheme	618	618
	5,434	5,992
Cash balances	21,748	8,006
	27,182	13,998
<hr/>		
	2017/18 £'000	2018/19 £'000
Long term assets		
Long term debtors	1,518	1,058

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 £7,200 is due to the Pension Fund within the next twelve months.

N25. Current liabilities

	2017/18 £'000	2018/19 £'000
Benefits payable	-16	-26
Sundry creditors	-2,009	-2,301
	-2,025	-2,327

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	31 st March 2018 £m	31 st March 2019 £m
Present Value of Promised Retirement Benefits	3,082	3,472

Net Assets Available for Benefits

Year Ended	31 st March 2018 £m	31 st March 2019 £m
Net assets	2,239	2,379

The assumptions used are suitable for IAS19 purposes as required by the Code of Practice; these differ from those used at the 31st March 2018. It is estimated that the impact of the change of assumptions to 31st March 2019 is to increase the actuarial present value by £261m (17/18 decrease of £60m). There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Please note that the above present value of promised retirement benefits figure has been adjusted to include an approximate allowance for the McCloud ruling, i.e. an estimate of the potential increase in past service benefit arising from this case affecting public sector pension schemes. The allowance was calculated as 0.2% of total liability which is equal to approximately £7m.

Significant Actuarial Assumptions Used**Financial assumption:**

Year Ended	31 st March 2018 % pa	31 st March 2019 % pa
Inflation/Pension Increase Rate	2.4	2.5
Salary Increase Rate	2.7	2.8
Discount Rate	2.7	2.4

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 2019	Males	Females
	Years	
Current Pensioners	22.4	24.6
Future Pensioners **	24.0	26.4

Longevity assumptions as at 31st March 2018	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% 2017/18) of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 68% (68% 2017/18) 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 2019	Approximate % increase to liabilities %	Approximate monetary amount £m
0.5% p.a. increase in the Pension Increase Rate	8	290
0.5% p.a. increase in the Salary Increase Rate	1	50
0.5% p.a. decrease in the Real Discount Rate	10	361

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

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 2019. 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 2019 by the amounts shown below:

As at 31st March 2019	Value	Volatility of return	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Bonds	303,215	10.50	335,053	271,377
UK Equities	379,046	16.60	441,968	316,124
Overseas Bonds	212,505	10.50	234,818	190,192
Multi National Equities	1,205,394	16.60	1,405,489	1,005,299
UK Property	187,521	14.30	214,337	160,705
Overseas Property	13,608	14.30	15,554	11,662
Venture Capital/Private Equity/Infrastructure	7,249	28.30	9,300	5,198
Private Debt	42,397	5.90	44,898	39,896
	2,350,935		2,701,417	2,000,453
Total Gloucestershire Fund	2,350,935	10.80%	2,604,836	2,097,034

As at 31st March 2018 re-stated*	Value	Volatility of return	Value on Increase	Value on Decrease
	£'000	%	£'000	£'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	173,972	14.30	198,850	149,094
Overseas Property	9,930	14.30	11,351	8,510
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

* Please see Note 34(a) for details

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 2019 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 as at the end of March 2019, have averaged 2.11% (2017/18 2.41%) and moved between a high of 3.45% (3.58% 2017/18) and a low of 1.13% (1.17% 2017/18). As at the end of March 2019 this yield was 1.48% (1.63% 2017/18). 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 2019	Change in the year in the net assets available to pay benefits	
		+100BPS (1% increase)	-100BPS (1% decrease)
		£'000	£'000
Cash held directly by the Fund	8,006	-	-
Cash and cash equivalents held on behalf of the Fund	11,753	-	-
Bond Portfolio - Fixed Interest Securities excluding cash	520,040	-33,024	33,024
	539,799	-33,024	33,024

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
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

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 8.8% (as measured by one standard deviation).

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

A 8.8% 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:

2018/19 Currency exposure - Asset type	Asset value		
	31st March	Change to net assets available to pay benefits	
		2019	£'000
			+8.8%
UK Equities	-	-	-
Global Equities	815,919	887,720	744,118
Emerging Market Equities	142,739	155,300	130,178
Overseas Private Debt	20,145	21,918	18,372
Venture Capital /Private Equity/ Infrastructure	2,277	2,477	2,077
Cash/Cash equivalents*	3,375	3,672	3,078
	984,455	1,071,087	897,823

2017/18 Currency exposure - Asset type	Asset value		
	31st March	Change to net assets available to pay benefits	
		2018	£'000
			+9.1%
UK Equities	1,033	1,124	942
Global Equities	732,208	796,642	667,774
Emerging Market Equities	96,495	104,987	88,003
Overseas Private Debt	10,693	11,634	9,752
Venture Capital /Private Equity/ Infrastructure	-	-	-
Cash/Cash equivalents*	2,011	2,194	1,828
	842,440	916,581	768,299

* Includes all cash instrument balances with currency exposure which were not included in prior years. The impact of this inclusion had no bearing on the overall percentage change reported in 2017/18.

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 2019 is set out below.

Credit Analysis

31 st March 2019	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	CCC £'000
UK Gilts	-	46,945	-	-	-	-	-
UK Index Linked	-	-	-	-	-	-	-
Overseas Govt Bonds	933	-	-	-	-	-	-
Overseas Inflation-linked	-	-	-	-	-	-	-
Corporate Bonds	2,988	16,689	136,721	80,529	153	-	-
High Yield	-	-	-	-	5,063	3,559	150
Emerging Markets	-	-	1,484	-	1,228	-	-
Mortgage Backed Securities	-	4,724	7,430	22,755	378	-	-
Supra/Sov/Local Govts	-	-	-	-	-	-	-
Cash/Cash Equivalents/Currency Forwards	8,101	-	595	2,611	-	-	-
	12,022	68,358	146,230	105,895	6,822	3,559	150
% of Fixed Interest Portfolio	3.5	19.9	42.5	30.8	2.0	1.0	0.04

31 st 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	-	-

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 2019 is shown below:

	Balances as at 31st March 2018		Balances as at 31st March 2019	
Account Name	Rating*	£'000	Rating*	£'000
Aberdeen Standard Liquidity Fund**	AAAm	6,191	AAAm	757
Federated Short Term Sterling Prime Fund	AAAm	7,376	AAAm	6,209
HSBC Instant Access	A1+/AA-	392	AA-	861
HSBC Current Account	A1+/AA-	240	AA-	179
Goldman Sachs	AAAm	7,549	AAAm	-
Total		21,748		8,006

* Ratings quoted are all Standard and Poors as at 31st March 2019 and 2018

**Change following merger of Standard Life Plc and Aberdeen Asset Management Plc.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Pension Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. Contributions due as at 31st March 2019 was £4,708k (2017/18 £4,121k) and as at 16th July 2019, £54k remained outstanding.

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
Property Pooled investments	Level 3	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.	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.
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 is determined by the following factors: enterprise value of a portfolio company; the nature and realisable value of any collateral; the portfolio company's ability to make payments and its earnings; discounted cash flows; market environment and changes in the interest rate environment	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
Infrastructure Funds	Level 3	Direct investments: Independent valuation performed using discounted cash flow methodology in accordance with international private equity valuation guidelines	Future free cash flows from underlying investments. Cost of capital of underlying investments	Valuations could be affected by material events occurring after the preparation of the independent reports, and by changes to expected cash flows

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 2019.

2018/19	Assessed valuation range (+/-)	Value at 31st March 2019 £'000	Value on increase £'000	Value on decrease £'000
UK property pooled funds	14%	164,487	187,515	141,458
Overseas property pooled funds	14%	-	-	-
Venture Capital/Private equity/Infrastructure	28%	7,249	9,279	5,219
UK Corporate Bonds	11%	3,512	3,898	3,126
Overseas Private Debt	6%	20,145	21,354	18,936
UK Private Debt	6%	22,252	23,587	20,917
Total		217,645	245,633	189,657

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

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.

	Quoted market price	Using observable inputs	With significant unobservable inputs		Total £'000
			Level 1 £'000	Level 2 £'000	
Values at 31st March 2019					
Financial assets at fair value through profit and loss	773	2,142,475	217,645	2,360,893	
Non-financial assets at fair value through profit and loss	-	-	-	-	
Financial liabilities at fair value through profit and loss	-1,315	-	-	-	-1,315
Investment manager cash and accruals				6,015	
Net Investments Assets	-542	2,142,475	217,645	2,365,593	
Brunel Pension Partnership				395	
Investment Debtors/Creditors				12,730	
Total Net Investment Assets	-542	2,142,475	217,645	2,378,718	
Values at 31st March 2018					
Financial assets at fair value through profit and loss	402,797	1,625,449	176,896	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	402,797	1,625,449	176,896	2,211,926	
Brunel Pension Partnership				840	
Investment Debtors/Creditors*				26,675	
Total Net Investment Assets	402,797	1,625,449	176,896	2,239,441	

* 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

In consultation with Fund Managers and the Global Custodian, the Fund has made the decision to move all cash instrument balances from level 1 to level 2 following a detailed review of the Statement of Recommended Practice (SORP) as well as an extract from the Practical Guidance on Investment Disclosures (PRAG, Investment Association 2016). The Fund considers cash instruments to have 'observable inputs to valuation techniques'.

Cash instrument balances currently valued at £9,185k (£21,853k 2017/18) have been moved from level 1 in 2017/18 to level 2 in 2018/19.

In addition, during 2018/19 the Fund transitioned out of its UK equity mandate and into the Brunel Pension Partnership (BPP) UK equity unit trust. The Fund has categorised the new mandate as a level 2 asset as a result.

Reconciliation of Fair Value Measurements within Level 3

2018/19

	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 2018*	153,401	-	5,624	10,693	6,166	1,012	176,896
Transfers into Level 3	-	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-	-
Purchases during the year and derivative payments	6,728	-	2,313	8,771	20,409	2,557	40,778
Sales during the year and derivative receipts	-	-	-797	-	-4,270	-47	-5,114
Unrealised gains/(losses)	4,358	-	109	681	-53	-10	5,085
Realised gains/(losses)	-	-	-	-	-	-	-
Market Value 31st March 2019	164,487	-	7,249	20,145	22,252	3,512	217,645

2017/18
re-stated

	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	114,950	-	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	-	49,536
Sales during the year and derivative receipts	-25	-	-	-	-	-	-25
Unrealised gains/(losses)	5,287	-	180	-911	35	-	4,591
Realised gains/(losses)	-90	-	-	-	-	-	-90
Market Value 31st March 2018	153,401	-	5,624	10,693	6,166	1,012	176,896

*During 2018/19, two property assets previously categorised as overseas property pooled funds were re-evaluated as UK property pooled funds on the basis that the underlying funds held within the portfolio are invested in UK property despite being domiciled overseas.

The Fund determined one corporate bond security to be level 3 during 2017/18. We have since been able to establish a market price for this security which we believe indicates this should be categorised as level 2. The 2018/19 UK Corporate Bond figures reflect this omission.

Please see note 34(b) for further breakdown.

N29. Financial instrument disclosure

2018/19	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	£'000s	£'000s	£'000s
Financial assets			
Bonds	323,927	-	-
Equities	-	-	-
Pooled investments	1,829,558	-	-
Property Unit Trusts	192,478	-	-
Private equity	4,972	-	-
Brunel Pension Partnership	395	-	-
Derivative contracts	1,297	-	-
Cash	-	19,759	-
Other investment balances	-	4,450	-
Debtors	-	1,902	-
	2,352,627	26,111	-
Financial liabilities			
Derivative contracts	-1,429	-	-
other investment balances	-	-1,412	-
Creditors	-	-	-2,301
Borrowings	-	-	-
	-1,429	-1,412	-2,301
	2,351,198	24,699	-2,301
2017/18	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	£'000s	£'000s	£'000s
Financial assets			
Bonds	288,855	-	-
Equities	380,754	-	-
Pooled investments*	1,331,728	-	-
Property Unit Trusts*	176,138	-	-
Private equity	5,624	-	-
Brunel Pension Partnership	840	-	-
Derivative contracts	710	-	-
Cash	-	44,866	-
Other investment balances	-	5,871	-
Debtors	-	2,549	-
	2,184,649	53,286	-
Financial liabilities			
Derivative contracts	-320	-	-
other investment balances	-	-552	-
Creditors	-	-	-2,009
Borrowings	-	-	-
	-320	-552	-2,009
	2,184,329	52,734	-2,009

* Investments managed by one of the property managers have been re-assessed and their asset classification changed. The 2017/18 comparable figures have been amended to reflect that change. See Note N34 (a) for more details.

N29 (a) Net gains and losses on financial instruments

	2017/18 £'000s	2018/19 £'000s
Financial assets		
Fair value through profit and loss	74,344	90,864
Amortised cost - realised gains on de-recognition of assets	-	-
Amortised cost - unrealised gains	-	-
Financial liabilities		
Fair value through profit and loss	-	-
Amortised cost - realised losses on de-recognition of assets	-	-
Amortised cost - unrealised losses	-	-
	74,344	90,864

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

N30. Bulk transfers in and out of the Pension Fund**Transfers to or from other pension funds**

During 2018/19 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.

IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will not have an impact on the Pension Fund and is therefore considered to be immaterial.

IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Pension Fund does not have any material transactions within the scope of the amendment.

IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the fund account or net asset statement.

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 £81k on behalf of members during 2018/19 (£71k 2017/18). 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**N34 (a)**

Investments managed by one of the property managers have been re-assessed and their asset classification changed. The 2017/18 comparable figures have been amended to reflect that change in the Net Asset Statement, Note 4, Investment Movement Summary, Note 12, Unquoted Holdings, Note 14, Financial asset analysis and Note 29, Financial Instrument Disclosure.

Net Asset Statement	2017/18	2017/18 re-stated	Difference
	Market Value	Market Value	
	£'000	£'000	£'000
Pooled investment vehicles	1,329,483	1,331,728	2,245
Property unit trusts	178,383	176,138	-2,245
	1,507,866	1,507,866	-
Investment Movement Summary (Note 4)	2017/18	2017/18 re-stated	Difference
	Market Value at 31st March 2017	Market Value at 31st March 2017	
	£'000	£'000	£'000
Pooled investment vehicles	1,251,349	1,252,164	-815
Property Unit Trusts	135,534	134,719	815
	1,386,883	1,386,883	-
	Purchases during the year at cost and derivative payments	Purchases during the year at cost and derivative payments	
	£'000	£'000	£'000
Pooled investment vehicles	77,148	78,306	-1,158
Property Unit Trusts	35,633	34,475	1,158
	112,781	112,781	-
	Change in market value during the year	Change in market value during the year	
	£'000	£'000	£'000
Pooled investment vehicles	75,047	75,319	-272
Property Unit Trusts	7,679	7,407	272
	82,726	82,726	-
	Market Value at 31st March 2018	Market Value at 31st March 2018	
	£'000	£'000	£'000
Pooled investment vehicles	1,329,483	1,331,728	-2,245
Property Unit Trusts	178,383	176,138	2,245
	1,507,866	1,507,866	-
Unquoted Holdings (Note 12)	2017/18	2017/18 re-stated	Difference
	£'000	£'000	£'000
UK property managed fund	3,710	7,289	3,579
	1,809	475	-1,334
UK property limited liability partnership			
UK property unit trust	30,632	34,591	3,959
Overseas property unit trust	16,134	9,930	-6,204
	52,285	52,285	-

Financial Asset Analysis (Note 14)	2017/18 £'000	2017/18 re-stated £'000	Difference £'000
O.E.I.C.'s			
UK - Property - Unquoted	3,710	7,289	3,579
Limited Liability Partnerships			
UK - Property - Unquoted	1,809	475	-1,334
Property Unit Trusts			
UK - Unquoted	30,632	34,591	3,959
Overseas - Unquoted	16,134	9,930	-6,204
	48,575	44,996	-

Nature and extent of risks arising from Financial Instruments

(Note 27)

Other Price Risk Sensitivity Analysis	2017/18 £'000	2017/18 re-stated £'000	Difference £'000
UK Property	164,058	173,972	9,914
Overseas Property	19,844	9,930	-9,914
	183,902	183,902	-

Financial Instrument Disclosure

(Note 29)

	Fair value through profit and loss	Fair value through profit and loss	Difference £'000
	2017/18 £'000	2017/18 re-stated £'000	
Pooled Investments	1,329,483	1,331,728	2,245
Property Unit Trusts	178,383	176,138	-2,245
	1,507,866	1,507,866	-

N34 (b)

During 2018/19, two property assets previously categorised as overseas property pooled funds were re-evaluated as UK property pooled funds on the basis that the underlying funds held within the portfolio are invested in UK property despite being domiciled overseas.

The Fund determined one corporate bond security to be level 3 during 2017/18. We have since been able to establish a market price for this security which we believe indicates this should be categorised as level 2. The 2018/19 UK Corporate Bond figures reflect this omission.

	UK property pooled funds £'000	Overseas property pooled funds £'000	UK corporate bonds £'000
Market Value 31st March 2018	150,695	2,706	2,047
Two property assets now classified as UK property	2,706	-2,706	-
Removal of Corporate Bond from level 3 to level 2	-	-	-1,035
Re-stated Market Value 31st March 2018	153,401	-	1,012

Fire Pensions Accounts

Fund Account for the year ended 31st March 2019

2017/18 £000		1992 FPS £000	2006 NFPS £000	Modified Scheme £000	2015 Care Scheme £000	Total £000
	Contributions Receivable					
-1,297	Fire Authority					
-	contributions in relation to pensionable pay	-408	-11	-25	-825	-1,269
-	early retirements	-	-	-	-	-
-	other: ill health retirement	-	-	-	-	-
-1,039	Firefighters' contributions					
-5	normal	-281	-14	-49	-732	-1,076
	other: Added Years	-5	-	-	-	-5
	Transfers in					
-	transfers in from other schemes	-	-136	-	-62	-198
	Additional Grant for Holiday Payments	-	-	-	-	-
	Benefits Payable					
5,360	pensions	5,799	23	66	-	5,888
2,359	commutations & lump sum retirement benefits	1,062	6	92	-	1,160
-	lump sum death benefits	-	-	-	-	-
	Payments to and on account of leavers					
-	refunds of contributions	-	-	-	-	-
15	transfers out to other schemes	-	-	-	-	-
	Net amount payable for the year					
5,393		6,167	-132	84	-1,619	4,500
-5,393	Top-up grant receivable / payable to central government	-6,167	132	-84	1,619	-4,500
		-	-	-	-	-

Net Assets Statement for the year ended 31st March 2019

Total £000		FPS £000	NFPS £000	Modified Scheme £000	2015 Care Scheme £000	Total £000
	Net current assets and liabilities					
	Current Assets					
-5,393	contributions due from employer	-	-	-	-	-
	pension top-up grant receivable from central government	-6,167	132	-84	1,619	-4,500
	recoverable overpayments of pensions	-	-	-	-	-
	Current Liabilities					
-1313	unpaid pension benefits	-	-	-	-	-
	amount payable to central government	-	-132	-	-1,619	-1,751
-	other current liabilities	-	-	-	-	-
6,706	amount owing to general fund	6,167	-	84	-	6,251
		-	-	-	-	-

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 2018/19. 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. Its 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 or 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

