

Statement of Accounts **2014-2015**



Contents

	Page
Foreword by Strategic Finance Director (S151 Officer)	1
Statement of Accounting Policies	10
Statement of Responsibilities	25
Audit Report	26
Movement in Reserves Statement	32
Comprehensive Income and Expenditure Statement	33
Balance Sheet	34
Cash Flow Statement	35
Notes to the Accounts	36
Gloucestershire Pension Fund Accounts	86
Notes to Pension Fund Accounts	88
Fire Pension Accounts	114
Glossary of Terms	115
Appendix 1: Annual Governance Statement	125
Appendix 2. Local Code of Corporate Governance	175

Foreword by Strategic Finance Director and Section 151 Officer

1 *Introduction*

Welcome to Gloucestershire County Council's Statement of Accounts for 2014/15. 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).

To comply with this code, the information contained in these accounts is, by necessity, technical and very complex, hence the length of the accounts. The aim of this foreword, therefore, is to provide the reader with an overview of the financial position for the year ending 31st March 2015, to enable them to understand the key issues. It does this by providing an analysis of the budgeted and actual net expenditure for 2014/15 based on the management accounts, and then provides a summary of the key financial statements included within the statutory final accounts.

2 *Revenue Budget and Outturn Position*

The approved budget for 2014/15 was £428.11 million which represented a decrease in cash terms of £2.8 million, or 0.65%, compared with 2013/14. Under this budget the level of Council Tax was again frozen for the fourth year running. Due to the receipt of Local Services Support Grant (LSSG) during 2014/15, our revenue budget for 2014/15 was subsequently increased by £0.81 million, giving a revised budget of £428.92 million.

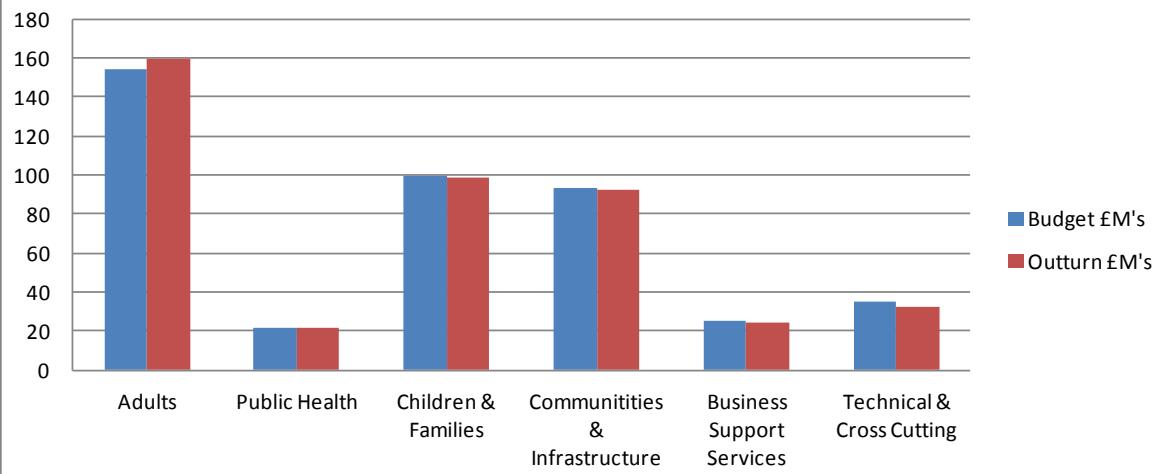
The 2014/15 budget was the final year of the four year MtC programme covering the financial years 2011/12 to 2014/15. Over this period savings in excess of the £114 million target were delivered to address year on year funding reductions and fund unavoidable cost increases.

The revenue budget strategy for 2014/15 was to continue to maximise the delivery of efficiencies as early as possible. The Council is committed to robustly controlling budgets, has increased debt repayment and is continuing to streamline back office services, all of which contribute to protecting front line services, whilst minimising compulsory redundancies.

The final outturn position for the year against the revised budget is set out in the following paragraphs.

Following net transfers to and from reserves, as set out in detail in note 2 to the accounts (page 39), the 2014/15 outturn position was a £1.31 million underspend which, split equally, was transferred to the vulnerable children reserve and the new adults reserve. After this transfer the budget moved to a technical balanced budget position. Net budget and expenditure by service area is shown in the first chart below.

Net Budget & Actual Revenue Expenditure 2014-15

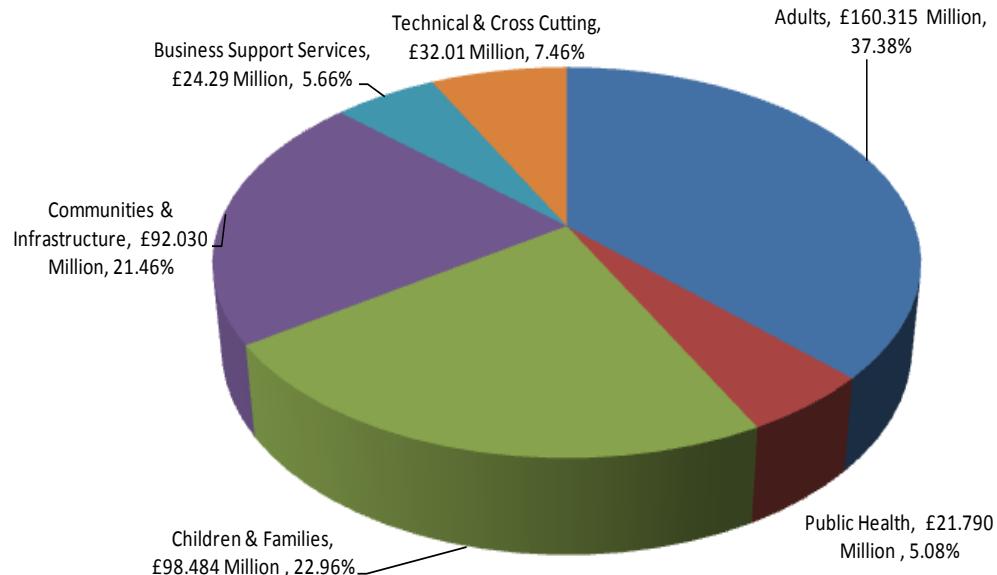


Full details and explanations of the outturn position can be found in the detailed outturn report submitted to Cabinet in June 2015, item 8, which is available on the Council's website at:

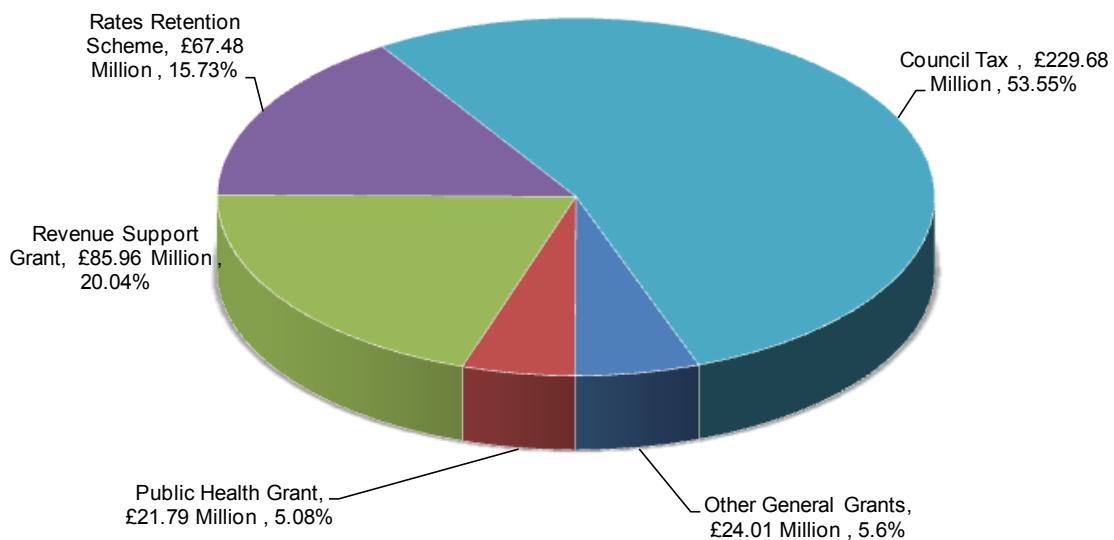
<http://gloertext.goucestershire.gov.uk/ieListDocuments.aspx?CId=117&MId=7894&Ver=4>

The outturn position for 2014/15 provides a clear indication of the Council's strong financial stewardship during the year, with net expenditure being contained within budget despite the Council having to deliver over £22 million of savings. 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.

Net Actual Revenue Expenditure 2014/15



Financing of the 2014-15 Revenue Budget



Usable Reserves

Usable reserves are where money is set aside to fund future expenditure plans or reduce taxation. Full details of all usable reserve movements in 2014/15 are shown in note 2 on page 39 of the accounts, with the summary position outlined below:

Type of Usable Reserves	Balance at 1 st April 2014 £000	Balance at 31 st March 2015 £000
Earmarked Revenue Reserves – Non Schools	85,334	94,773
Earmarked Reserves – Schools	25,103	28,091
General Fund Balances	19,848	19,848
Total Capital Reserves	53,406	51,823
TOTAL USABLE RESERVES	183,691	194,535

Overall total usable reserves increased by £10.8 million during the year.

Non schools earmarked usable reserves have increased by £9.4 million (11.1%) during the year, from £85.33 million at the start of the year to £94.77 million at the end of the year.

This position includes the transfers of the £1.3 million 2014/15 under-spend to the Adults and Vulnerable Children Reserves agreed by Cabinet in June 2015.

Other key net movements in non school earmarked usable reserves in 2014/15 were:-

- Budgeted transfer of £1.0 million to the Strategic Waste Reserve.
- Transfer of £0.5 million to the Fire PFI Reserve.
- Transfer of £1.4 million to the Insurance Reserve.
- Transfer of £5.9 million to the Capital Fund Reserve.
- Transfer to the Public Health Reserve of £2.2 million in accordance with guidance from the Department of Health.
- Transfer of £0.9 million to the Vulnerable Children's Reserve.
- Transfer of £0.3 million to a new A417 Missing Link Reserve.

Transfers Between Reserves

Transfer of £2.0 million from the Impairment Reserve, which was no longer required following the full recovery of outstanding Icelandic investments, to the Economic Stimulus Reserve to fund additional Fastshire Broadband costs.

Due to the limited number of schools converting to academies Cabinet agreed in December 2014 to transfer £0.7 million from the Education Funding Smoothing Reserve to the School Transport Reserve (£0.4 million) and Vulnerable Children's Reserve (£0.3 million).

Transfer of £0.7 million from the Active Communities Reserve (previously known as the Supporting People Reserve) to the Vulnerable Childrens Reserve.

General Reserves

General Reserves totalled £19.85 million at the end of 2014/15, remaining at 4.6% of the net revenue budget for 2014/15, within the target range of between 4% and 6% of the net budget. This level of reserves equates to only six working days of average gross expenditure, or twelve working days based on net expenditure.

Full details and explanations of all reserve movements can be found in the detailed outturn report submitted to Cabinet in June 2015, item 8, which is available on the Council's website at:

<http://gloxttext.goucestershire.gov.uk/ieListDocuments.aspx?CId=117&MId=7894&Ver=4>

Schools

Total earmarked reserves relating to Schools increased by £3.0 million during the year.

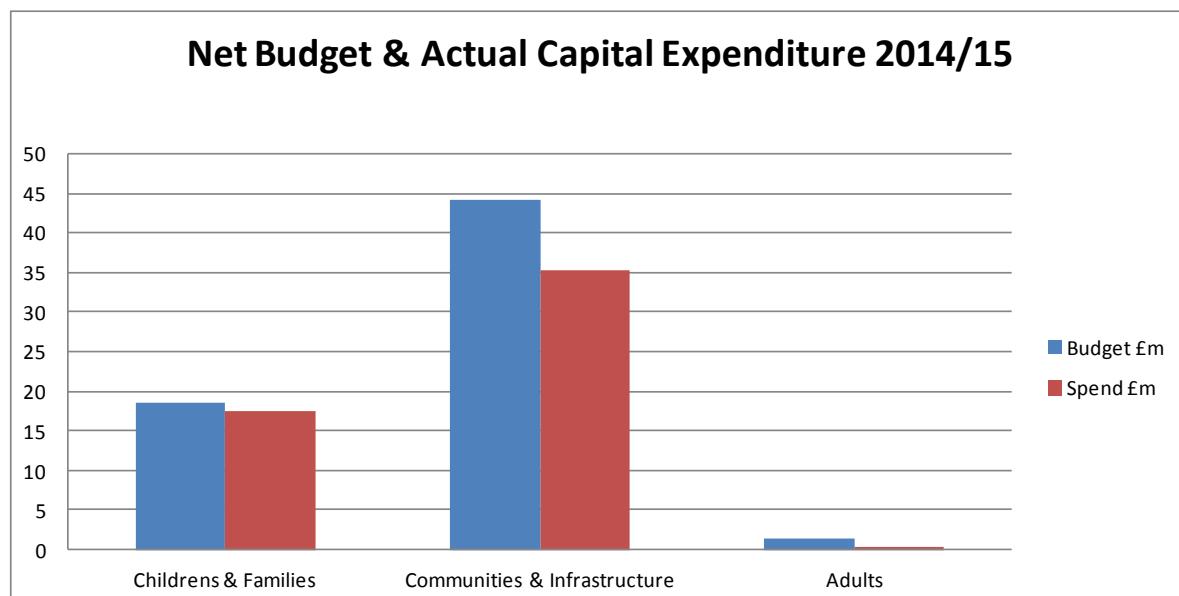
The key movements were:

- an increase on School Balances of £1.2 million, largely due to higher revenue balances being held by schools within their delegated budgets and schools carrying forward unspent grants such as the pupil premium.
- an increase of £2.1 million on the Dedicated Schools Grant Reserve, which was due to an under-spend against the High Needs SEN block relating to lower than anticipated top-up payments to schools and cost of alternative provision courses. There was also a small under-spend against the Early Years block due to additional capacity building for two year old places which will take place in 2015/16.

3 Capital Budget and Outturn Position

The capital budget strategy reflected the Council's priority of reducing long term debt utilising capital financing budgets, capital receipts, the capital fund and revenue contributions to fund the capital programme for 2014/15, avoiding the need for new borrowing.

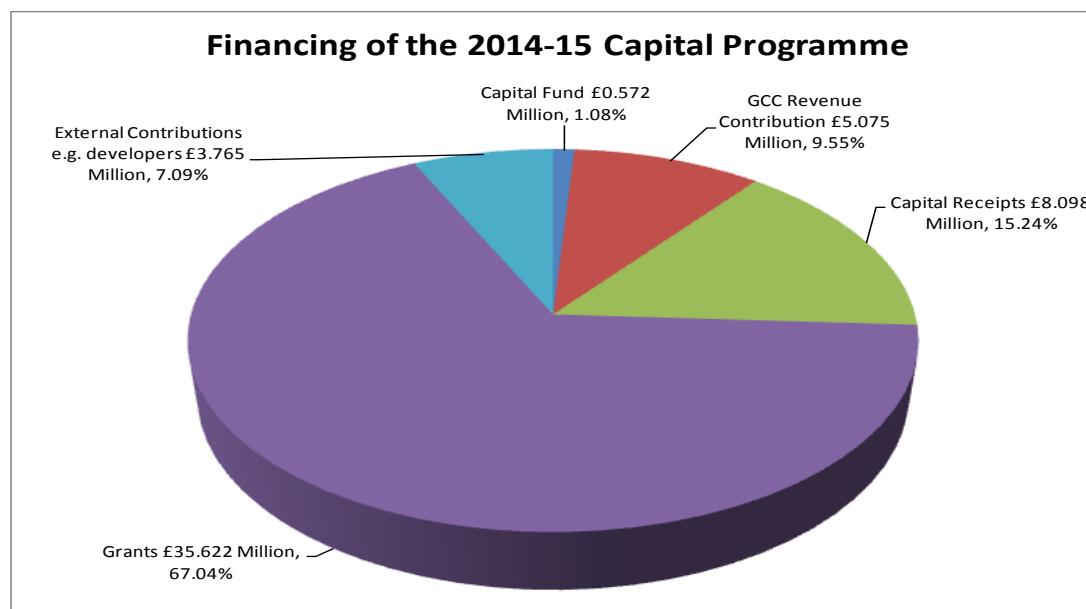
The capital budget for 2014/15 totalled £64.12 million. Actual expenditure during the year was £53.13 million giving an in year under-spend of £10.99 million. The capital under-spend mainly relates to in-year slippage, which will be spent in 2015/16 rather than in 2014/15. This has not changed the overall 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.



Full details and explanations of the capital outturn position can be found in the detailed outturn report submitted to Cabinet in June 2015, item 8, which is available on the Council's website at:

<http://glostext.goucestershire.gov.uk/ieListDocuments.aspx?CId=117&MId=7894&Ver=4>

The Council's 2014/15 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 2014/15 the MRP for the Council was £13.605 million.

Debt redemption remains a priority of the Council. At 31st March 2015 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £326.3 million, a reduction of £27.4 million compared with the position at the end of 2013/14.

4 *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.

A complete set of Financial Statements for the period comprise:

- Statement of Accounting Policies on pages 10 to 24.
Accounting policies are used in preparing the accounting statements. The only major change to this year's policies relate to the accounting treatment of schools, detailed in page 19, where control over school premises of Foundation Schools and Voluntary Aided Schools are now recognised in our accounts.
- Movement in Reserves Statement on page 32.
- Comprehensive Income & Expenditure Statement on page 33.
- Balance Sheet position on page 28 setting out the Council's financial as at 31st March 2015.
- Cash Flow Statement on page 35 summarising the inflows and outflows of cash.
- Notes which summarise and provide further information on the financial activities of the Council on pages 36 to 85.
- Gloucestershire Pension Fund Accounts are on pages 86 to 113, 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 114.

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

5 *Primary Financial Statements*

The four primary financial statements are the Movement in Reserves Statement, the Comprehensive Income & Expenditure Statement, Balance Sheet, and Cash Flow Statement.

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

Movement in Reserves Statement (page 32) shows the movement during the 2014/15 financial year on the different reserves held by the council, analysed into useable reserves and other unusable reserves:

- Usable reserves are where money is 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 total decrease in the council's reserves during 2014/15 is £125.0 million, an increase of £10.8 million in useable reserves and a decrease of £135.9 million in unusable reserves. The decrease in unusable reserves is mainly due to the increase of £115.3 million in long term liabilities for defined benefit pension schemes, explained in section 6 below, which is a liability that does not need to be met within the next year, but over the lifetime of scheme members.

Comprehensive Income & Expenditure Statement (CIES) (page 33) 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 2014/15 was £19.0 million, which is shown in the movement in reserves statement, compared to a surplus of £12.9 million in 2013/14. The reason for this change is mainly due to an impairment loss on the valuation of school buildings.

The deficit on the provision of services for 2014/15 of £19.0 million represents the accounting deficit on the provision of services in accordance with International Financial Reporting Standards (IFRS).

Following transfers to the vulnerable children's and adult reserves of the in year underspend of £1.3 million, the outturn break-even budget position for 2014/15 indicates that there has been no movement on the general fund balance during the year and 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 pensions charges are not charged in the General Fund expenditure analysis. The movement in reserves statement and supporting note 1 provides reconciliation between the two positions.

Balance Sheet (page 34) shows the value of the assets and liabilities recognised by the council as at 31st March 2015. The balance sheet of the Council shows net assets of £200.9 million, which is matched by reserves (as set out in the movement in reserves statement). This represents a decrease of £125.0 million from the restated 2013/14 position, which now includes Foundation Schools and Voluntary Aided Schools.

The decrease in net assets is largely due to the £115.3 million increase in long term liabilities for defined benefit pension schemes, which is a liability that does not need to be met within the next year, but over the lifetime of scheme members.

Other significant movements on the balance sheet include a decrease in the value of Property Plant & Equipment of £50.0 million, reflecting valuation changes and disposals undertaken during the year, and an increase in current liabilities of £22.8 million, largely due to increased creditors and short term borrowing. These were largely offset by an increase in long term investments of £35.3 million, reflecting increased investments of longer than a year, an increase of £20.5 million in current assets, largely due to increased debtors and short term cash and investment balances, and a reduction in the long term borrowing of £5.4 million, reflecting the maturity structure of debt.

The balances for 2013/14 have been restated to reflect changes in the accounting treatment for schools. Further detail of these adjustments are provided in note 39, page 85.

The restated capital adjustment account has decreased from £690.5 million on 31st March 2014 to £675.4 million on 31st March 2015, reasons for which are explained in note 13, page 49.

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 53).

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 54). During the year the cash and cash equivalent increased from £52.8 million at the beginning of the year to £69.2 million at the end of the year. This increase of £16.4 million in cash balances is largely due to more cash on short-term investments (as detailed in note 9, page 46), reflecting restriction on duration of investments with banks due to uncertainties in the markets during 2014/15.

6 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 18.2%, from £632.1 million at the start of the year to £747.4 million at the year end. This is due to the changed financial assumptions, primarily a reduced 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 reduced by 1.1% (from 4.3% to 3.2%). The lower the discount rate used, the higher the estimated present value of pension liabilities. Further information can be found in note 32, page 74.

7 *Investment Activity & Borrowing*

During 2014/15 treasury management has been conducted according to the Policy Statement approved by the County Council in February 2014. In accordance with this strategy 201 investments were made during the year, at a value of £904 million. Total interest earned on in house deposits was £1.7 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. At 31st March 2015 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £326.3 million, a reduction of £27.4 million compared with the position at the end of 2013/14.

8 *The Future*

The Council's vision, values, aims and medium term priorities are brought together in a single Council Strategy. The Council Strategy sets out the longer term aims and ambitions for Gloucestershire and outlines the priorities and programmes which underpin these aims. A copy of the Strategy can be found on our website at www.goucestershire.gov.uk .

By the end of 2014/15, we had delivered the vast majority of commitments we made in our last Council Strategy: "Meeting the Challenge, with £22 million savings being delivered in 2014/15 and over £114 million over the four year life of the Strategy.

Our new Council Strategy "Meeting the Challenge 2 – Together We Can covers the three year period 2015/16 to 2017/18. Current funding forecasts and cost pressures indicate a financial gap of at least £75 million over the three year period, which will need to be addressed via this Strategy and through the continued robust use of available resources.

9 *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 can meet our liabilities as they fall due.

Additional Information

Further information on the financial statements presented in this document can be obtained from John Kear, Financial Accounting Manager (01452 328912).

john.kear@gloucestershire.gov.uk)

Jo Walker
Strategic Finance Director & Section 151 Officer

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 2014/15 financial statements, are described in the following Accounting Policies.

General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31st March 2015. The accounts have been prepared in accordance with the *Code of Practice on Local Council Accounting in the United Kingdom 2014/15* 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 2011*. 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.

The Council has implemented a change to its policy for accounting for schools as a consequence of a change to the Code. The impact of this change is that the Council now recognises the land and buildings of its locally maintained Voluntary Aided, Voluntary Controlled or Foundation Schools in its financial statements.

The accounting treatment of the Property, Plant and Equipment of other categories of local maintained schools remains unchanged.

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. Such sums due or payable at year-end are included as debtors and creditors and are estimated where the exact amount is not known. 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.

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-Current Assets

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

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

The Council is not allowed to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, known as the Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Events after the Balance Sheet Date

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

Adjustment will be made for events after the balance sheet date that provides evidence of the conditions that existed at the balance sheet date. 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 accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when

the Council is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

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 five separate pension schemes:

- The Local Government Pensions Scheme,
- The Firefighter's Pensions Scheme,
- The New Firefighter's Pension Scheme,
- The Teachers' Pension Scheme, and
- 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 1997 and 2007/2008, as amended and a separate annual audit is carried out by the appointed external auditors.

The scheme is contracted out of the State Second Pension and is a funded, defined benefit, final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Retirement benefits are determined independently of the investment of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits.

Firefighter's Pension Scheme and the New Firefighter's Pension Scheme

The Firefighter schemes are unfunded defined benefit final salary 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 both 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 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 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.

Financial Instruments

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

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

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

Non-Current Assets Held for Sale

Available for sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for the interest receivable are based on the amortised amount of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain or loss is recognised in the surplus or deficit on the revaluation of available for sale financial asset. The exception is where impairment losses have been incurred. These are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, or fair value falls below cost, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with accumulated gains or losses previously recognised in the available for sale reserve. Where fair value cannot be measured reliably the instrument is carried at cost less any impairment losses.

Foreign Currency Translation

The Council does not generally deal in transactions dominated 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.

Inventories and Work in Progress

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

Jointly Controlled Operations and Jointly Controlled Assets

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

Overheads and Support Service Costs

These costs are charged to service areas using a variety of apportionment bases appropriate to the particular service provided, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP). The two cost categories identified under SeRCOP that are not charged out to service are Corporate and Democratic Core Costs, and Non Distributed Costs. These are accounted for under separate headings within the Comprehensive Income and Expenditure Statement.

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 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 and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Finance Leases - The Council as Lessor

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the start of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Operating Leases - The Council as Lessee

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

Operating Leases - The Council as Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

Property, Plant and Equipment (PPE)

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

Recognition

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

Measurement

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

Revaluation of all the County Council's PPE is undertaken using a five-year rolling programme. Valuations are co-ordinated internally by the Council's Valuation Service Team, with valuations carried out through a combination of external valuers (RICS qualified) and, where necessary, the Council's internal valuers. The Valuation Service Team ensure 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.

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 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 70 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 where appropriate.
- Land is not depreciated.
- Heritage Assets are not depreciated.
- Community Assets are comprised totally of land (e.g. parks, picnic places) and 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 4 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,
 - Services (Internal water installations, sanitary ware, heating, ventilation, electrical, lifts, sprinklers and communications), depreciate over 22 years, unless the host asset's life is less than 41 years, then depreciate over 53.7% of the life of the host,
 - Externals (Drainage, roads, pavements, fences and external utility pipes), depreciate over 39 years, unless the host asset's life is less than 41 years, then depreciate over 95.2% of the life of the host.
- Revaluation gains are depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have

been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

- Surplus Assets, held for disposal (10-99 years) are not depreciated.

Accounting for Schools

In determining these accounting policies the Council has considered the treatment of land and building 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 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; and
- 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'; and
- 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.

Intangible Assets

Intangible assets are non-financial 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.

Basis for Redemption of Debt

The Council finances a proportion of its capital investment by raising loans. In accordance with the Local Authorities Capital Financing and Accounting Regulations 2003 as updated, 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). In accordance with the legislation the Council apply a 4% reducing balance for existing debt, and an asset life methodology for debt from 2008/09 whereby the charge is equal over the life of the asset.

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 Council at the end of the contract. The Council carries the PPE used under the contracts on the Balance Sheet. The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received, and
- b) Payment for the PFI asset, including finance costs.

The original recognition of the PPE is balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets. PPE recognised on the Balance Sheet are valued and depreciated in the same way as other assets owned by the Council.

Services received under the contract are recorded under the relevant expenditure headings as operating expenses.

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer or 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 had been 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.

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.

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.

Reserves

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

Revenue Expenditure Funded from Capital under Statute

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

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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.

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, together with a consideration of the impact on the current year's accounts.

IFRS 13 Fair Value Measurement: This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be re-valued to market value rather than value in existing use as at present. Operational PPE assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

IFRIC 21 Levies: This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRSs (2011 – 2013 Cycle): These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts. The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of 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.

Accounting for Schools – Consolidation

The Council has made some prior period adjustments to comparative figures as a result of a change in accounting policy. The change in accounting policy and the impacts of this change are explained in the following paragraphs.

In accordance with the Code, the Council has amended its policy for accounting for schools, such that it recognises the PPE assets of its local maintained schools in its financial statements 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'; and
- The costs of the item can be measured reliably.

The Council now recognises the PPE assets of its locally maintained Voluntary Aided, and Foundation Schools in its financial statements, following substance over form. The accounting treatment of the PPE of other categories of local maintained schools remains unchanged such that Voluntary Controlled, Community and Community Special School PPE assets, and the school playing fields of voluntary schools owned by the Council, continue to be recognised in the Council's financial statements.

Comparative amounts for the prior period have been restated to apply the change in accounting policy for the PPE of locally maintained schools retrospectively. The impact of these changes on the 2013/14 Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, and on the Balance Sheet as at 1 April 2013 and 31 March 2014, are shown in note 39 to the accounts.

Land has been considered separately to buildings, and have been brought on balance sheet for the same reasons as identified above.

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 lives and valuations of properties, which are estimated by qualified valuers,
- 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.

Statement of Responsibilities

The Council is required to:

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

The Strategic Finance Director Responsibilities

The Strategic Finance Director is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the CODE).

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

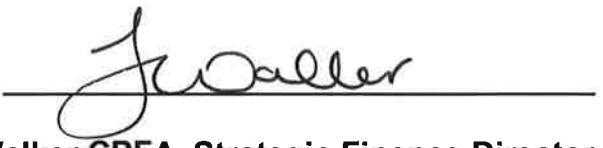
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority CODE.

The Strategic Finance Director has also:

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

Certification

I certify that the Statement of Accounts 2014/15 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 2015.



Jo Walker CPFA, Strategic Finance Director
25th September 2015

The Audit Committee of the County Council approved the Statement of Accounts on 25th September 2015.



Councillor Nigel Robbins, Chairperson
25th September 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOUCESTERSHIRE COUNTY COUNCIL

We have audited the financial statements of Gloucestershire County Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes. 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 2014/15.

This report is made solely to the members of Gloucestershire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the 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.

Respective responsibilities of the Strategic Finance Director and auditor

As explained more fully in the Statement of the Strategic Finance Director's Responsibilities, 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Finance Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Gloucestershire County Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Gloucestershire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion

We are required to give an opinion on the consistency of the pension fund financial statements of Gloucestershire County Council 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 2015. 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 Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Elizabeth Cave
Director
For and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House
55-61 Victoria Street
Bristol BS1 6FT

25 September 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOUCESTERSHIRE COUNTY COUNCIL

We have audited the pension fund financial statements of Gloucestershire County Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2014/15.

This report is made solely to the members of Gloucestershire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the 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.

Respective responsibilities of the Strategic Finance Director and auditor

As explained more fully in the Statement of the Strategic Finance Director's Responsibilities, the Strategic Finance Director is responsible for the preparation of the Authority's Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Finance Director; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion the information given in the explanatory foreword for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Elizabeth Cave
Director
For and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House
55-61 Victoria Street
Bristol BS1 6FT

25 September 2015

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.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31st March 2013 carried forward	-19,721	-114,622		-63,781	-198,124	-152,504	-350,628
<u>Movement in reserves during 2013/14</u>							
Surplus (-) or Deficit on Provision of Services	-12,884	-	-	-	-12,884	-	-12,884
Restated Other Comprehensive Expenditure and Income	-	-	-	-	-	37,493	37,493
Total Comprehensive Expenditure and Income	-12,884	-	-	-	-12,884	37,493	24,609
Adjustments between accounting basis & funding basis under regulations (Note 1)	27,317	-	-	-	27,317	-27,317	-
Net Increase/Decrease before Transfers to Earmarked Reserves	14,433	-	-	-	14,433	10,176	24,609
Transfers to/from Earmarked Reserves	-14,560	4,185	-	10,375	-	-	-
Increase/Decrease in 2013/14	-127	4,185	-	10,375	14,433	10,176	24,609
Balance at 31st March 2014	-19,848	-110,437	-	-53,406	-183,691	-142,328	-326,019
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31st March 2014 carried forward	-19,848	-110,437		-53,406	-183,691	-142,328	-326,019
<u>Movement in reserves during 2014/15</u>							
Surplus (-) or Deficit on Provision of Services	18,953	-	-	-	18,953	-	18,953
Other Comprehensive Expenditure and Income	-	-	-	-	-	106,068	106,068
Total Comprehensive Expenditure and Income	18,953	-	-	-	18,953	106,068	125,021
Adjustments between accounting basis & funding basis under regulations (Note 1)	-29,797	-	-	-	-29,797	29,797	-
Net Increase/Decrease before Transfers to Earmarked Reserves	-10,844	-	-	-	-10,844	135,865	125,021
Transfers to/from Earmarked Reserves	10,844	-12,427	-	1,583	-	-	-
Increase/Decrease in 2014/15	0	-12,427	-	1,583	-10,844	135,865	125,021
Balance at 31st March 2015	-19,848	-122,864	-	-51,823	-194,535	-6,463	-200,998

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.

31 st March 2014			31 st March 2015		
Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
Gross Expenditure, Gross Income and Net Expenditure of Continuing Operations					
4,720	-2,764	1,956	Central Services	3,601	-2,989
9,544	-993	8,551	Cultural and Related Services	9,342	-873
28,318	-2,277	26,041	Environmental and Regulatory Services	33,990	-2,200
3,072	-969	2,103	Planning Services	1,799	-318
363,038	-275,045	87,993	Children's and Education Services	392,292	-284,584
61,271	-10,686	50,585	Highways and Transport Services	62,561	-10,210
476	-356	120	Housing Services	513	-372
254,385	-77,942	176,443	Adult Social Care	247,400	-74,841
25,488	-4,412	21,076	Fire and Rescue Services	30,268	-7,466
19,691	-21,452	-1,761	Public Health	20,336	-22,597
15,211	-5,890	9,321	Corporate and Democratic Core	13,358	-4,822
10,236	-96	10,140	Non Distributed Costs	10,757	-256
879	-	879	Exceptional Items	-	-
796,329	-402,882	393,447	Cost Of Services	826,217	-411,528
410	-	410	Levies Payable	293	-
8,818	-	8,818	Gain/Loss on disposal of non current assets (Note 40)	15,060	-
9,228	-	9,228	Other Operating Expenditure	15,353	-
18,695	-	18,695	Interest Payable on Debt	18,183	-
25,897	-	25,897	Net interest on the net defined benefit liability (Asset)	26,613	-
-	-2,117	-2,117	Investment Interest income	-	-1,746
44,592	-2,117	42,475	Financing and Investment Income and Expenditure	44,796	-1,746
-	-42,339	-42,339	Recognised Capital Grants and Contributions	-	-43,193
-	-226,474	-226,474	Council Tax	-	-231,078
-	-65,642	-65,642	National Non Domestic Rates	-	-65,399
-	-99,494	-99,494	Revenue Support Grant	-	-85,983
-	-22,080	-22,080	Non Service Related Government Grants	-	-26,017
-	-2,005	-2,005	Fire Pensions Top Up Grant	-	-2,469
-	-458,034	-458,034	Taxation and Non-Specific Grant Income	-	-454,139
850,149	-863,033	-12,884	Surplus (-) or Deficit on Provision of Services	886,366	-867,413
-	-9,123	-9,123	Transfer of Schools - Revaluation Gain (Note 39)	-	0
9,249	-	9,249	Revaluation Gains (-)/Losses (Note 13)	110,720	-107,350
88	-	88	Surplus or Deficit on Revaluation of Available for Sale Financial Assets (Note 13)	-	-1,670
34,613	-	34,613	Remeasurement of the net defined benefit liability (Asset)	104,368	-
43,950	-9,123	34,827	Other Comprehensive Income and Expenditure	215,088	-109,020
894,099	-872,156	21,943	Total Comprehensive Income and Expenditure	1,101,454	-976,433
					125,021

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 As at 1 st April 2013 £'000	Restated As at 1 st April 2014 £'000		Notes	As at 31 st March 2015 £'000
1,133,192	1,134,869	Property Plant and Equipment	3,39	1,084,105
894	894	Heritage Assets	3	894
2,307	3,562	Assets under Construction	3	4,889
216	255	Intangible Assets	4	368
5,592	5,000	Long Term Investments	5	40,317
1,277	2,344	Long Term Debtors	5	2,371
1,143,478	1,146,924	Long Term Assets		1,132,944
122,441	139,362	Short Term Investments	5	142,183
2,272	768	Assets held for Sale	10	368
1,154	1,639	Inventories	6	1,388
452	0	Landfill Allowance Trading Scheme		0
39,188	50,178	Short Term Debtors	8	52,132
70,707	52,844	Cash and Cash Equivalents	9 & 17	69,248
236,214	244,791	Current Assets		265,319
-452	-	Landfill Allowance Trading Scheme		-
-50,034	-49,866	Short Term Borrowing	5	-63,241
-57,967	-58,418	Short Term Creditors & Revenue Receipts in Advance	12	-66,522
-6,836	-5,055	Short Term Provisions	11	-4,140
-18,344	-18,098	Capital Grants and Contributions Receipts in Advance	24	-20,854
-7,928	-10,916	Provision for Accumulated Absences	13	-10,401
-141,561	-142,353	Current Liabilities		-165,158
-2,648	-2,618	Deferred Liability	37	-2,568
-1,581	-4,619	Long Term Provisions	11	-3,559
-304,331	-284,005	Long Term Borrowing	5	-278,627
-581,609	-632,101	Liability Related to Defined Benefit Pension Scheme	32	-747,353
-890,169	-923,343	Long Term Liabilities		-1,032,107
347,962	326,019	Net Assets		200,998
Usable Reserves				
63,781	53,406	Capital Grants & Contributions Unapplied Reserve	2	51,823
19,721	19,848	General Fund Balance	2	19,848
114,622	110,437	Earmarked Reserves	2	122,864
198,124	183,691			194,535
Unusable Reserves				
-7,928	-10,916	Short Term Accumulated Absences Account	13	-10,401
644,514	690,493	Capital Adjustment Account	13	675,447
97,810	97,397	Revaluation Reserve	13	87,899
1,987	2,326	Collection Fund Adjustment Account	13 & 38	1,618
0	0	Deferred Capital Receipts Reserve	13	2,300
-210	-298	Available for Sale Revaluation Reserve	13	1,372
-4,726	-4,573	Financial Instrument Adjustment Account	13	-4,419
-581,609	-632,101	Defined Pension Fund Reserve	32	-747,353
149,838	142,328			6,463
347,962	326,019	Total Reserves		200,998

Further information on the restatement of the 2012-13 and 2013-14 balances can be found in note 39

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.

Restated 2013/14 £'000		2014/15 £'000
-12,884	Net Surplus (-) or Deficit on the Provision of Services	18,953
-55,537	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements (note 14)	-107,825
51,068	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities (note 14)	53,171
<hr/>		
-17,353	Net Cash Flows from Operating Activities	-35,701
<hr/>		
14,529	Investing Activities (Note 15)	28,224
<hr/>		
20,687	Financing Activities (Note 16)	-8,927
<hr/>		
17,863	Net Increase or Decrease in Cash and Cash Equivalents	-16,404
<hr/>		
-70,707	Cash and Cash Equivalents at the beginning of the reporting period	-52,844
<hr/>		
-52,844	Cash and Cash Equivalents at the end of the reporting period (Note 9)	-69,248

Contents of the Notes to the Statement of Accounts

	Page
Note 1. Adjustments between Accounting Basis and Funding Basis under Regulations	37
Note 2. Useable Reserves	39
Note 3. Non Current Assets	41
Note 4. Intangible Assets	42
Note 5. Financial Instruments	43
Note 6. Inventories	46
Note 7. Contractual Capital Commitments	46
Note 8. Debtors	46
Note 9. Cash and Cash Equivalents	46
Note 10. Assets Held for Sale	46
Note 11. Provisions	47
Note 12. Creditors & Revenue Receipts in Advance	48
Note 13. Unusable Reserves	48
Note 14. Cash Flow Statement – Operating Activities	52
Note 15. Cash Flow Statement – Investing Activities	53
Note 16. Cash Flow Statement – Financing Activities	53
Note 17. Movement in Net Debt	53
Note 18. Amounts Reported for Resource Allocation Decisions	54
Note 19. Pooled Budgets & Partnership Working	58
Note 20. Officer's Remuneration	59
Note 21. Members' Allowances	63
Note 22. External Audit Costs	63
Note 23. Deployment of Dedicated Schools Grant (DSG)	63
Note 24. Grant Income	64
Note 25. Related Parties	65
Note 26. Capital Expenditure and Capital Financing	66
Note 27. Leases	68
Note 28. Private Finance Initiatives and Similar Contracts	70
Note 29. Impairment Losses	73
Note 30. Termination Benefits	73
Note 31. Pensions Schemes Accounted for as Defined Contribution Schemes	73
Note 32. Defined Benefit Pension Schemes	74
Note 33. Contingent Liabilities	80
Note 34. Nature and extent of risks arising from Financial Instruments	80
Note 35. Trust Funds	84
Note 36. Insurance	84
Note 37. Deferred Liabilities	84
Note 38. Collection Fund Adjustment Account	85
Note 39. Prior Period Restatements	85
Note 40. Gain/Loss on disposal of non current assets	85
Note 41. Post Balance Sheet Event	85

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.

2013/14 (Restated)	Usable Reserves			
	Restated General Fund Balance	Capital Receipts	Restated Capital Grants	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
depreciation, impairment and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets		-29,364		29,364
Capital grants and contributions applied		52,395		-52,395
Movement in the Donated Assets Account		280		-280
Revenue expenditure funded from capital under statute		-9,700		9,700
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		-8,818		8,818
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Voluntary Provision for financing of Capital Investment	19,181	8,348		-19,181
Statutory Provision for the financing of Capital Investment	15,321			-15,321
Capital expenditure charged against the General Fund Balance	6,397			-6,397
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		-8,729		
Use of the Capital Receipts Reserve to finance new capital expenditure		381		
Adjustments primarily involving the Capital Grants Unapplied Reserve:				
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement			-42,020	42,020
Application of grants and contributions to capital financing transferred to capital adjustment account			52,395	-52,395
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	153			-153
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		-15,879		15,879
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	340			-340
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		-2,989		2,989
Total Adjustments	27,317	-	10,375	-37,692

2014/15	Usable Reserves		Capital Grants Un-applied	Movement in Un-used Reserves
	General Fund Balance	Capital Receipts Reserve		
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
depreciation and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets	-72,059			72,059
Capital grants and contributions applied	45,226			-45,226
Revenue expenditure funded from capital under statute	-9,486			9,486
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	-15,060			15,060
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Voluntary Provision for financing of Capital Investment	13,825			-13,825
Statutory Provision for the financing of Capital Investment	13,605			-13,605
Capital expenditure charged against the General Fund Balance	5,076			-5,076
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		-8,098		
Use of the Capital Receipts Reserve to finance new capital expenditure		8,098		
Adjustments primarily involving the Capital Grants Unapplied Reserve:				
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement			-43,643	43,643
Application of grants and contributions to capital financing transferred to capital adjustment account			45,226	-45,226
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	153			-153
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-10,884			10,884
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	-708			708
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	515			-515
Total Adjustments	-29,797	0	1,583	28,214

2. Useable Reserves

This note sets out the amounts set aside from the General Fund Balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

Earmarked Revenue Reserves	Balance at 31 st March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 st March 2015
	£'000	£'000	£'000	£'000
Capital Fund	16,902	-2,046	7,993	22,849
Insurance Fund	8,876	-2,344	3,751	10,283
Active Communities	1,930	-700	-	1,230
Public Health	2,267	-	2,246	4,513
County Elections	278	-15	151	414
Vehicle & Plant Replacement	110	-	-	110
Fire Service Pensions	127	-	-	127
Strategic Waste Reserve	14,577	-	1,000	15,577
Fire Joint Training Centre	1,185	-16	-	1,169
Adoption Reserve	1,000	-238	-	762
Education Funding Risk Reserve	1,000	-700	200	500
Rates Retention Reserve	2,049	-467	78	1,660
Invest to Save	4,866	-608	259	4,517
Transformation Reserve	8,009	-1,097	-	6,912
Impairment Reserve	2,006	-2,006	-	0
Economic Stimulus Reserve	8,950	-1,082	2,428	10,296
Fire PFI Reserve - GFRS	1,998	-	491	2,489
Revenue Grant Reserves	8,693	-8,654	6,942	6,981
Adult Care	-	-	654	654
Home to School Transport	-	-	400	400
A417 Missing Link	-	-	309	309
Vulnerable Children	-	-	2,585	2,585
Other Reserves	511	-297	222	436
	85,334	-	20,270	29,709
				94,773

Schools Related

School Balances	18,999	-18,989	20,210	20,220
Dedicated Schools Grant Reserve	5,590	-5,590	7,723	7,723
Other Schools Related	514	-525	159	148
	25,103	-25,104	28,092	28,091
Total	110,437	-45,374	57,801	122,864
General Fund Balances	19,848	-	-	19,848
Total Revenue Reserves	130,285	-45,374	57,801	142,712

Earmarked Capital Reserves	Restated Balance at 31st March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31st March 2015
	£	£	£	£
Capital Grant & Contributions	53,406	-46,848	45,265	51,823
Total Capital Reserves	53,406	-46,848	45,265	51,823
Total Useable Reserves	183,691	-92,222	103,066	194,535

* Please note 4 Primary Schools became independent Academies in 2014/15 and therefore left the control of the Council.

Reserve Description

Capital Fund

The Capital Fund is available to support future capital expenditure and redemption of debt.

Insurance Fund

Specific reserve set up to support possible future costs associated with Insurance Liabilities.

Active Communities

Established from renaming the Supporting People Reserve to provide support to people and communities to do more to help themselves without the Council having to intervene.

Public Health

Following the transfer of Public Health Services in April 2013, a ring fenced reserve was established in accordance with grant conditions to hold any unused balances from the Public Health Grant received from Government.

Strategic Waste Reserve

Reserve set up to support the rising costs associated with waste disposal.

Fire Joint Training Centre

Specific reserve to hold the Council's share of the Equalisation fund to smooth out future fluctuations in project costs.

Invest to Save

Reserve established to support the continued development of Invest to Save initiatives.

Transformation Reserve

Specific reserve set up to support costs associated with the Transformation Programme.

Economic Stimulus Reserve

Specific reserve covering a number of initiatives including Rural Broadband, the under-writing of deposits for first time house buyers under the Local Authority Mortgage Scheme and the introduction of a range of proposals to improve skills for economic growth centred on apprenticeships.

Revenue Grant Reserves

Reserve established for specific unapplied revenue grants where conditions have been fully met.

School Balances

Specific School revenue balances held by individual Schools carried forward to support future years expenditure.

Dedicated Schools Grant Reserve

Reserve set up to hold specific grant funding balances to support future years expenditure.

Rates Retention Reserve

Established to cover a funding shortfall as a result of the Business Rate funding mechanism.

Fire PFI Reserve - GFRS

Smoothing reserve relating to the full life contract for future fluctuations in project costs.

Adult Care

To smooth the volatility in demand for Adult Social Care.

Home to School Transport

A reserve to smooth the impact of school term changes year to year.

A417 Missing Link

To support pre development work on the A417 project.

Vulnerable Children

To support the volatility and increasing pressures for the vulnerable childrens budget.

Capital Grant & Contributions Reserve

Reserve established for specific unapplied capital grants and contributions where conditions have been fully met.

A more detailed explanation of reserve movements is included within the formal revenue and capital expenditure outturn report considered by Cabinet on 10th June 2015 which can be found on the Council's website www.goucestershire.gov.uk

3. Non Current Assets

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Heritage Assets	Total	PFI Assets included within summary
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Gross book value at 1st April 2013	848,934	30,355	534,834	-	18,270	2,307	894	1,435,594	25,315
Revaluation of Newly Recognised Assets (Schools)	8,954	-	-	-	-	-	-	8,954	-
Previously Reported Movements in 13/14	-10,294	-	1,950	34,027	-	55	1,255	22,983	43
Restated Gross book value at 31st March 2014	847,594	28,405	568,861	-	18,215	3,562	894	1,467,531	25,358
Additions	11,107	5,683	27,363	-	-	4,470	-	48,623	49
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases recognised in the Revaluation Reserve	106,343	-	-	-	1,007	-	-	107,350	1,641
Revaluation Reserve adjustment refund to I & E	4,008	-	-	-	-	-	-	4,008	-
Revaluation decrease recognised in the Revaluation Reserve	-101,618	-	-	-	9,102	-	-	-110,720	-
Revaluation Reserve adjustment charge to I & E	-35,276	-	-	-	-	-	-	-35,276	-
Derecognition – disposals	-32,223	-	8,188	-	-	367	-	-40,778	-
Assets reclassified to Held for Sale	-369	-	-	-	-	-	-	-369	-
Assets reclassified from Held for Sale	768	-	-	-	-	-	-	768	-
Assets Under Construction completed schemes	3,143	-	-	-	-	3,143	-	-	-
Surplus reclassification	-2,380	-	-	-	2,380	-	-	-	-
Other movements in cost or valuation	0	-	-	-	-	-	-	-	-
Gross book value at 31st March 2015	801,097	25,900	596,224	-	12,133	4,889	894	1,441,137	27,048
Accumulated Depreciation as at 1st April 2013	-87,225	-17,452	-193,788	-	-736	-	-	-299,201	
Depreciation Charges and Disposals previously reported	-9,265	-15	-19,602	-	-123	-	-	-29,005	-
Accumulated Depreciation as at 1st April 2014	-96,490	-17,467	-213,390	-	-859	-	-	-328,206	-2,374
Depreciation charge	-13,783	-4,994	-21,568	-	-318	-	-	-40,663	-1,101
Derecognition – disposals	9,402	8,188	-	-	30	-	-	17,620	-
At 31st March 2015	-100,871	-14,273	-234,958	-	-1,147	-	-	-351,249	-3,475
Net book value at 31st March 2015	700,226	11,627	361,266	-	10,986	4,889	894	1,089,888	23,573

Non Current Asset Valuations

• Land and Property

The Code requires all land and property to be formally revalued at least every five years. This year the District covered was Gloucester and in addition all maintained schools were also revalued.

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.

Non-operational land and property is included on the basis of market value except assets under construction which are included on the basis of capital expenditure incurred by 31st March 2015. The valuations have been undertaken by qualified valuers, consistent with the current accounting policy.

• Vehicles, Plant, 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.

4. Intangible Assets

These are purchased software licences and are amortised over an estimated life of up to 10 years.

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

	2013/14 Internally Generated Assets £'000	2014/15 Internally Generated Assets £'000	Other Assets £'000
Balance at start of year:			
Gross carrying amounts	-	216	255
Amortisation for the period	-	-65	-128
Other changes	-	104	241
Net carrying amount at end of year	-	255	368

5. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet, and consist of figures held within short and long term borrowings, short and long term investments, cash and cash equivalents and also debtors (including payments in advance) and creditors (including receipts in advance).

	Long Term		Current	
	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000
Financial Assets				
Investments				
Loans and receivables			146,270	174,242
Available-for-sale financial assets	5,000	40,317	40,108	35,378
Other cash			5,828	1,811
Total Investments	5,000	40,317	192,206	211,431

	Long Term	Current		
	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000
Debtors				
Financial assets at amortised cost				
Debtors that are not financial inst*	2,344	2,371	33,797	38,271
Total Debtors	2,344	2,371	50,178	52,132

* The Short Term Debtors on the Balance Sheet include debtors that do not meet the definition of a financial asset (for example, sums due from HMRC for VAT reclaimed).

	Long Term		Current	
	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000
Financial Liabilities				
Borrowings				
Borrowings at amortised cost	262,525	257,662	49,403	62,726
Total Borrowings	262,525	257,662	49,403	62,726
Lease Liabilities				
PFI liabilities at amortised cost	21,481	20,965	463	515
Total other long term liabilities	21,481	20,965	463	515
Total Borrowing and Long Term Liabilities	284,006	278,627	49,866	63,241

	Long Term	Current		
	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000
Creditors				
Financial liabilities at amortised cost				
Creditors that are not financial inst*	0	0	44,894	54,472
Total Creditors	0	0	13,524	12,050
Total Creditors	-	-	58,418	66,522

* The Short Term Creditors on the Balance Sheet include creditors that do not meet the definition of a financial liability (for example, sums due to HMRC for income tax and national insurance).

Expense, Income, Gains and Losses

	2013/14				2014/15				Total
	Financial Liabilities at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total	Financial Liabilities at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Interest expense	18,695	-	-	18,695	18,183	-	-		18,183
Total expense in Surplus or Deficit on the Provision of Services	18,695	-	-	18,695	18,183	0	-		18,183
Interest income	-	-1,944	-173	-2,117		-1,551	-195		-1,746
Gains on derecognition		-	-	-		-	-		-
Total income in Surplus or Deficit on the Provision of Services	-	-1,944	-173	-2,117		-1,551	-195		-1,746
Gain (-)/Loss on revaluation			88	88			-1,670		-1,670
Surplus or deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	88	88			-1,670		-1,670
Net loss/gain(-) for the year	18,695	-1,944	-85	16,666		18,183	-1,551	-1,865	14,767

Fair Values of Assets and Liabilities

Assets

Fair Value is considered for a financial asset represented by a long term debtor that arises from the Council's involvement in the Local Authorities Mortgage Scheme (LAMS). The fair value adjustment represents the premium received by the Council in recognition of the loan guarantees that it has given.

Details of the fair values for Assets are as follows:

Assets	31st March 2014		31 st March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Long term loans (investments)	5,000	5,000	40,317	40,317
Long-term debtors (loans for service purposes)	2,344	2,344	2,371	2,371
Financial Assets	7,344	7,344	42,688	42,688

Liabilities

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

For PWLB loans actual premature repayment rates are set at close of business on 31st March.

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

Details of the fair values for Liabilities are as follows:

Liabilities	31st March 2014		31 st March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB - maturity, fixed rate	270,352	331,387	265,340	380,363
PWLB - maturity, variable rate	-	-	-	-
Lender option borrower option (LOBO) loans	41,576	40,134	41,548	67,260
Finance leases (PFI projects)	21,943	33,685	21,479	43,207
Financial Liabilities	333,871	405,206	328,367	490,830

The fair values of the loans are higher than the carrying amount because the Council's borrowing portfolio includes fixed rate loans where the interest rates payable are higher than the prevailing market rates at the Balance Sheet date. Therefore the notional future loss (based on economic conditions as at 31st March) arises from this commitment to pay interest to lenders at above current market rates.

Short Term

Short-term investments and short-term debtors and creditors are not considered for fair value adjustments but are carried at cost since this is a fair approximation of their value.

6. Inventories

	2013/14 £'000	2014/15 £'000
Maintenance Materials		
Balance outstanding at start of the year	1,154	1,639
Purchases	4,167	4,629
Stock used within the year	-3,682	-4,880
Balance outstanding at year-end	1,639	1,388

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.

A 25 year contract was signed with Urbaser Balfour Beatty on 22nd February 2013 to deliver a residual waste treatment service. The capital value was estimated in February 2013 to be approximately £190 million.

There is a contractual commitment of £5.61m for New St. White's Primary School, Cinderford

8. Debtors

	Restated 2013/14 £'000	2014/15 £'000
Central Government Bodies	6,842	10,252
Other Local Authorities	5,244	3,888
NHS Bodies	7,536	4,807
Public Corporations and Trading Funds	6,106	6,399
Other Entities and Individuals	24,450	26,786
Total	50,178	52,132

9. Cash and Cash Equivalents

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

	2013/14 £'000	2014/15 £'000
Cash held by the Council, including schools	5,828	1,811
Cash held in call/money market accounts with same day access	47,016	7,437
<u>Cash Equivalents - investments maturing within 3 months</u>	-	60,000
Total Cash and Cash Equivalents	52,844	69,248

10. Assets Held for Sale

	2013/14 £'000	2014/15 £'000
Balance outstanding at start of year	2,272	768
Assets newly classified as held for sale:		
Property, Plant and Equipment	757	368
Assets sold	-2,261	-768
Balance outstanding at year-end	768	368

11. Provisions

	Short Term Liabilities	Long Term Liabilities	Balance at 1 st April 2014	Applications	Additions	Amounts Written off in Year	Balance at 31 st March 2015	Short Term Liabilities	Long Term Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance Fund Adults:									
Community Equipment Liabilities	-5,055	-2,926	-7,981	4,096	-3,033		-6,918	-4,140	-2,778
Communities & Infrastructure:									
GSWBP Land Claims		-132	-132	37			-95		-95
Contracts		-665	-665	665	-340		-340		-340
Lease Dilapidations		-100	-100	100			-		-
Children & Families:									
Pension Strain Costs		-29	-29				-29		-29
General:									
Pension Strain & Redundancy costs		-308	-308	301			-7		-7
Carbon Reduction Programme Allowances		-105	-105	77		28	-		-
Retained Fire Fighters Liabilities		-15	-15				-15		-15
LAMS Scheme Liabilities		-139	-139	44			-95		-95
Total	-5,055	-4,619	-9,674	5,320	-3,373	28	-7,699	-4,140	-3,559
Employee Accrual - IAS19 accumulated absences		-10,916	-	-10,916			515	-10,401	-10,401
Total	-10,916	-	-10,916	-	-	515	-10,401	-10,401	-

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.

Communities & Infrastructure - Contracts

The contracts provision relates to anticipated costs associated with the Highways and Transportation Services Contract.

General - Pension Strain & Redundancy costs

The General Pension Strain and Redundancy provision relates to anticipated costs associated with staff under statutory notice in 2014/15 but who will not be leaving the Council until 2015/16.

General - Carbon Reduction Programme Allowances

The Carbon Reduction Programme is a new Government initiative where organisations have to purchase energy allowances based on energy usage which is retrospectively assessed. Following amendments to this Scheme during 2014-15 the Council have no future liability. As a result the provision has been fully written off.

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 relate 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 2014/15 but will not be settled until 2015/16.

12. Creditors & Revenue Receipts in Advance	Restated 2013/14 £'000	2014/15 £'000
Central Government Bodies	6,391	11,798
Other Local Authorities	5,459	5,513
NHS Bodies	6,630	6,175
Public Corporations and Trading Funds	85	51
Other Entities and Individuals	39,853	42,985
Total	58,418	66,522

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.

	2013/14 £'000	2014/15 £'000
Balance at 1st April	97,810	97,397
Upward revaluation of assets	64,439	107,350
Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	-73,519	-110,720
Accumulated gains on assets sold or scrapped	-287	-6,128
Revaluation of newly recognised school assets	8,954	
Balance at 31st March	97,397	87,899

Available for Sale Financial Instruments Reserve

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

	2013/14 £'000	2014/15 £'000
Balance at 1st April	-210	-298
Change in year end valuation	-88	1670
Balance at 31st March	-298	1372

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 2013/14 £'000	2014/15 £'000
Balance at 1st April	644,514	690,493
Reversal of items relating to capital expenditure debited or credited to the		
Charges for depreciation of non-current assets	-29,299	-71,932
Amortisation of intangible assets	-65	-128
Revaluation losses on Property, Plant and Equipment		
Revenue expenditure funded from capital under statute	-9,700	-9,486
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	-17,546	-23,158
Adjusting amounts written out of the Revaluation Reserve	287	6,128
Net written out amount of the cost of non-current assets consumed in the year		
Capital financing applied in the year:		
Write off of deferred charges		
Use of the Capital Receipts Reserve to finance new capital expenditure	381	8,098
RCCO applied to capital financing	6,397	5,076
Voluntary Provision for financing of Capital Investment	27,527	13,825
Statutory Provision for the financing of Capital Investment	15,322	13,605
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	52,395	45,226
Donated Assets	280	0
Adjustment to Deferred Capital Receipts		-2,300
Balance at 31st March	690,493	675,447

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes 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.

	Restated 2013/14 £'000	2014/15 £'000
Balance at 1st April	-581,609	-632,101
Remeasurement of net defined benefit liability	-34,613	-104,368
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	-15,879	-10,884
Balance at 31st March	-632,101	-747,353

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.

	2013/14 £'000	2014/15 £'000
Balance at 1st April	1,987	2,326
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.	339	-708
Balance at 31st March	2,326	1,618

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.

	2013/14 £'000	2014/15 £'000
Balance at 1st April	-7,928	-10,916
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.	-2,988	515
Balance at 31st March	-10,916	-10,401

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.

	2013/14 £'000	2014/15 £'000
Balance at 1st April	-4,726	-4,573
Adjustments with the General Fund relating to the total of deferred premiums/discounts:		
Net write down	153	154
Balance at 31st March	-4,573	-4,419

Deferred Capital Receipts Reserve

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

This balance represents the payments made under the local authority mortgage scheme (£2.2 million) and monies invested in Funding Circle (£0.1 million). As these monies are invested for capital purposes, when repaid they will be used for further capital investment in line with accounting standards.

	2013/14 £'000	2014/15 £'000
Balance at 1st April	-	-
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	2,300
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
Balance at 31st March	-	2,300

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:

	2013/14 £'000	2014/15 £'000
Depreciation	-29,299	-71,932
Amortisation	-65	-128
Increase/Decrease in Interest Creditors	190	176
Increase/Decrease in Creditors	-777	-6,174
Increase/Decrease in Interest and Dividend Debtors	453	148
Increase/Decrease in Debtors	11,121	1,888
Increase/Decrease in Inventories	485	-251
Movement in Pension Liability	-15,879	-10,884
Contributions to/(from) Provisions	-4,245	2,490
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-17,547	-23,158
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	26	-
	-55,537	-107,825

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

	2013/14 £'000	2014/15 £'000
Amount carried forward from a) above	-55,537	-107,825
Capital Grants credited to surplus or deficit on the provision of services	42,339	45,226
Premiums or discounts on the repayment of financial liabilities	-	-153
Proceeds from the sale of property plant and equipment, investment property and intangible assets	8,729	8,098
Net surplus - / deficit on the provision of services	-12,884	18,953
Net cash flows from operating activities	-17,353	-35,701

The cash flows for operating activities include the following items:

	2013/14 £'000	2014/15 £'000
Interest received	-2,117	-1,746
Interest paid	18,505	18,183
	16,388	16,437

15. Cash Flow Statement – Investing Activities

	2013/14 £'000	2014/15 £'000
Purchase of property, plant and equipment, investment property and intangible assets	48,565	48,525
Purchase of short-term and long-term investments	874,019	945,115
Other payments for investing activities	1,050	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-8,729	-8,098
Proceeds from short-term and long-term investments	-858,143	-907,091
Other receipts from investing activities	-42,233	-50,227
Net cash flows from investing activities	14,529	28,224

16. Cash Flow Statement – Financing Activities

	2013/14 £'000	2014/15 £'000
Cash receipts of short and long term borrowing	-5520	-61,847
Appropriation to/from Collection Fund Adjustment Account	340	-708
Repayments of short-term and long-term borrowing	25,383	53,115
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	484	513
Net cash flows from financing activities	20,687	-8,927

17. Movement in Net Debt

	2013/14 £'000	2014/15 £'000	Movements in year £'000
Movement In Cash Balances			
Imprest Accounts	142	138	-4
Cash At Bank	5,686	9,110	3,424
Cash Equivalents investments	47,016	60,000	12,984
Net Cash	52,844	69,248	16,404
Financing & Liquid Resources			
	-189,783	199,882	389,665
Net Debt	-136,939	269,130	406,069

18. Amounts Reported for Resource Allocation Decisions**Service Information for the year ended 31st March 2014**

	Children & Families	Adults	Public Health	Communities & Infrastructure	Strategy & Challenge/ Business Support Services	Technical & Corporate	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	-13,607	-77,507	-391	-11,829	-8,389	-2,145	-113,868
Government Grants	-260,078	-160	-21,061	-8,166	-126	-1,950	-291,541
Additional Concil Tax Income						-1,680	-1680
Total Income	-273,685	-77,667	-21,452	-19,995	-8,515	-5,775	-407,089
Employee Expenses	204,529	28,011	1,640	31,382	24,073	9,578	299,213
Other Operating Expenses	162,542	202,634	19,931	76,010	8,753	48,547	518,417
Support Service Recharges	6,867	8,149	348	3,868	-22,170	2,938	-
Total Operating Expenses	373,938	238,794	21,919	111,260	10,656	61,063	817,630
Net Cost of Services	100,253	161,127	467	91,265	2,141	55,288	410,541
Council Approved Budget	101,774	158,209	467	89,887	2,636	57,695	410,668
Declared Outturn Position	-1,521	2,918	-	1,378	-495	-2,407	-127

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£'000
Cost of Services in Service Analysis	410,541
Add Technical Accounting Adjustments	25,787
Removal of amounts reported to management but not included in the Comprehensive Income and Expenditure Statement.	-42,881
Net Cost of Services in Comprehensive Income and Expenditure Statement	393,447

Reconciliation to Subjective Analysis

2013/14

	Service Analysis	Technical Accounting Adjustments	Items not included in the Income & Expenditure Account	Net cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other service Income	-113,868			-113,868		-113,868
Surplus or deficit on associates or joint ventures				-		-
Interest and Investment income			2,117	2,117	-2,117	-
Income from Council Tax	-1,680	1,680		-	-226,474	-226,474
Government Grants and Contributions	-291,541	406	4	-291,131	-187,216	-478,347
Capital Grants and Contributions				-	-42,339	-42,339
				-	-2,005	-2,005
Total Income	-407,089	2,086	2,121	-402,882	-460,151	-863,033
Employee Expenses	299,213	-4,786		294,427		294,427
Other Service Expenses	518,417	-20,275	-25,897	472,245	25,897	498,142
Support Service Recharges	-			-		-
Depreciation, Amortisation and Impairment		39,062		39,062		39,062
Revenue expenditure funded from capital under statute		9,700		9,700		9,700
Interest Payments			-18,695	-18,695	18,695	-
Precepts & Levies			-410	-410	410	-
Gain or Loss on Disposal of fixed Assets				-	8,818	8,818
Impairment of Investments			-	-	-	-
Total Operating Expenses	817,630	23,701	-45,002	796,329	53,820	850,149
Surplus or Deficit on the Provision of Services	410,541	25,787	-42,881	393,447	-406,331	-12,884

Service Information for the year ended 31st March 2015

	Children & Families	Adults	Public Health	Communities & Infrastructure	Strategy & Challenge/ Business Support Services	Technical & Corporate	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	-14,026	-73,619	-805	-13,512	-9,801	-1,565	-113,328
Government Grants	-268,695	-618	-21,793	-5,223	-172	5,400	-291,101
Total Income	-282,721	-74,237	-22,598	-18,735	-9,973	3,835	-404,429
Employee Expenses	206,476	27,171	1,144	28,269	26,108	11,041	300,209
Other Operating Expenses	164,627	197,902	21,193	76,315	13,231	38,081	511,349
Support Service Recharges	9,449	8,829	261	6,179	-26,594	1,876	-
Total Operating Expenses	380,552	233,902	22,598	110,763	12,745	50,998	811,558
Net Cost of Services	97,831	159,665	-	92,028	2,772	54,833	407,129
Council Approved Budget	99,923	154,101	-	92,766	3,385	56,954	407,129
Declared Outturn Position - Surplus	-2,092	5,564	-	-738	-613	-2,121	-

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£'000
Cost of Services in Service Analysis	407,129
Add Technical Accounting Adjustments	58,270
Removal of amounts reported to management but not included in the Comprehensive Income and Expenditure Statement.	-50,710
Net Cost of Services in Comprehensive Income and Expenditure Statement	414,689

Reconciliation to Subjective Analysis

2014/15

	Service Analysis	Technical Accounting Adjustments	Items not included in the Income & Expenditure Account	Net cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other service Income	-113,328			-113,328		-113,328
Surplus or deficit on associates or joint ventures				-		-
Interest and Investment income			1,746	1,746	-1,746	-
Income from Council Tax				-	-231,078	-231,078
Government Grants and Contributions	-291,101	-1,478	-7,367	-299,946	-177,399	-477,345
Capital Grants and Contributions				-	-43,193	-43,193
Fire Pensions Top Up Grant				-	-2,469	-2,469
Total Income	-404,429	-1,478	-5,621	-411,528	-455,885	-867,413
Employee Expenses	300,209	-13,542		286,667		286,667
Other Service Expenses	511,349	-8,256	-26,613	476,480	26,613	503,093
Support Service Recharges				-		-
Depreciation, Amortisation and Impairment		72,060		72,060		72,060
Revenue expenditure funded from capital under statute		9,486		9,486		9,486
Interest Payments			-18,183	-18,183	18,183	-
Precepts & Levies			-293	-293	293	-
Gain or Loss on Disposal of fixed Assets				-	15,060	15,060
Impairment of Investments				-		-
Total Operating Expenses	811,558	59,748	-45,089	826,217	60,149	886,366
Surplus or Deficit on the Provision of Services	407,129	58,270	-50,710	414,689	-395,736	18,953

19. Pooled Budgets & Partnership Working

The Council is involved with five partnerships between Adult Social Care and health agencies under Section 75 of the NHS Act 2006. This 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. Details of the schemes are as follows:

Provision of mental health services with Gloucestershire Primary Care Trust (integrated budget)

A partnership agreement with Gloucestershire Clinical Commissioning Group is in place to jointly commission mental health services. In 2014/15 the Council's share of the gross expenditure of the partnership was £7.05m (£7.64m in 2013/14), gross income was £0.15m (£0.53m in 2013/14) and the Council's contribution was £6.90m (£7.11m in 2013/14).

Provision of social care occupational therapy (Integrated Budget)

A partnership agreement with Gloucestershire Primary Care Trust to jointly commission occupational therapy services came into place from 1st April 2011. This responsibility passed to Gloucestershire Clinical Commissioning Group as the successor organisation to the Primary Care Trust with effect from 1st April 2013. Previously the Council had a partnership agreement with the Primary care trust for the provision of these services. In 2014/15 the gross expenditure of the partnership was £4.3m (£4.6m in 2013/14), gross income was nil (nil in 2013/14) and the Council's contribution was £3.0m (£3.4m in 2013/14)

Provision of a community equipment service with Gloucestershire Clinical Commissioning Group (Pooled Budget)

In 2014/15 the gross expenditure of the partnership was £6.3m (£4.6m in 2013/14), gross income was £1.1m (nil in 2013/14) and the Council's contribution was £1.6m (£1.7m in 2013/14)

With effect from 1st April 2011, Lead Commissioning responsibility for the Integrated Community Equipment Service (ICES) was transferred from Gloucestershire Health to the Council. Ownership of Funds to purchase NHS elements of the ICES was transferred to the Council. Expenditure continues to be subject to the requirement that these funds are spent in a way that reflects the financial contribution of each partner to the Pooled Fund for this individual service.

Provision of services to Carers (Integrated Budget)

A partnership agreement with Gloucestershire Clinical Commissioning Group to jointly commission Carers services came into place from 1st April 2013. In 2014/15 the gross expenditure of the partnership was £3.1m (£3.1m in 2013/14), gross income was nil (nil in 2013/14) and the Council's contribution was £2.0m (£2.0m in 2013/14).

Fastshire

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

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

Herefordshire Council acts as the lead authority for this project, and the County Council provides additional revenue funding for the programme management and project team support. To date £0.467 million of expenditure relating to Gloucestershire has been incurred and funded from government grant. No call has yet been made on any part of the Council's £7.5 million, which remains a part of the Council's Economic Stimulus Reserve.

In addition, the Authorities successfully bid for £10.98m under the BDUK Superfast Extension Programme, and the County Council has approved an additional capital contribution of up to £4m as match for the next phase of deployment.

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 2014/15 of the partnership was £492,000, with the council's contribution to this being £237,000.

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 2013/14 and 2014/15 are as follows:

2013/14

	Salary, Fees and Allowances £	Compensation for loss of Office £	Other Taxable Benefits £	Employer's Pension Contributions £	Total £
Deputy Chief Executive ⁽¹⁾	80,137	-	-	-	80,137
Director of Law & Administration ⁽²⁾	15,980	84,782	-	3,979	104,741
Commissioning Director: Communities & Infrastructure	95,881	-	-	23,874	119,755
Director: Strategy & Challenge	95,881	-	-	23,874	119,755
Commissioning Director: Children & Families	114,183	-	-	28,432	142,615
Director: Strategic Finance	114,183	-	10	28,432	142,625
Commissioning Director: Adults	114,183	-	3	28,432	142,619
Chief Fire Officer & Operations Director ⁽³⁾	100,479	-	-	21,402	121,881
Chief Fire Officer & Operations Director ⁽³⁾	11,800	-	-	2,513	14,313
Chief Operating Officer	133,562	-	-	33,257	166,819
Chief Executive: Mr P Bungard	161,235	-	-	23,531	184,766
	1,037,506	84,782	13	217,726	1,340,026

(1) The Deputy Chief Executive works 22.2 hours per week. The whole time equivalent salary for 2013/14 is £133,562.

(2) The 2013/14 whole time salary for the post of Director of Law & Administration was £95,881.

(3) The Chief Fire Officer retired at the beginning of February 2014 and was replaced later that month. The whole time salary for this post for 2013/14 is £120,146.

2014/15

	Salary, Fees and Allowances £	Compensation for loss of Office £	Other Taxable Benefits £	Employer's Pension Contributions £	Total £
Chief Executive:	161,235	-	-	16,768	178,003
Deputy Chief Executive ⁽¹⁾	80,137	-	-	-	80,137
Director: Strategic Finance	120,146	-	-	18,743	138,889
Director: Strategy & Challenge & Monitoring Officer	96,360	-	-	15,236	111,596
Commissioning Director: Adults	120,146	-	-	18,793	138,939
Commissioning Director: Children & Families	120,146	-	-	18,743	138,889
Commissioning Director: Communities & Infrastructure	96,360	-	-	15,115	111,476
Director: People Services	96,360	-	-	15,032	111,392
Operations Director: Education, Learning & Libraries	96,360	-	-	15,032	111,392
Operations Director: Childrens Safeguarding & Care	93,438	-	-	14,590	108,028
Operations Lead: Adult Social Care & Business Development	77,871	-	-	12,148	90,019
Chief Fire Officer & Operations Director	120,243	-	-	25,591	145,834
Chief Operating Officer	133,562	-	-	20,836	154,398
	1,251,130	0	0	189,859	1,440,989

(1) The Deputy Chief Executive works 22.2 hours per week. The whole time equivalent salary for 2014/15 is £133,562.

The additional posts reported in 2014/15 were in place in 2013/14 and became part of the Senior Management team in 2014/15 and hence meet the reporting criteria.

In addition to the above officer costs, the Council also paid for an interim Director of Public Health from June 2014 until March 2015. The post was held by a self employed contractor and payments totalled £125,981.

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 2015, not just an employee's gross salary.

Remuneration band	Total Number of Employees			
	2013/14		2014/15	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	63	42	54	48
£55,000 - £59,999	37	16	28	17
£60,000 - £64,999	21	18	22	16
£65,000 - £69,999	6	3	8	6
£70,000 - £74,999	4	7	1	6
£75,000 - £79,999	5	1	5	2
£80,000 - £84,999	3	3	2	2
£85,000 - £89,999	-	4	-	4
£90,000 - £94,999	-	-	-	1
£95,000 - £99,999	-	6	-	6
£100,000 - £104,999	-	2	-	1
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	-	3	-	-
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	-	-	-	4
£125,000 - £129,999	-	-	-	-
£130,000 - £134,999	-	1	-	1
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£150,000 - £154,999	-	-	-	-
£155,000 - £159,999	-	-	-	-
£160,000 - £164,999	-	1	-	1
£165,000 - £169,999	-	-	-	-
£170,000 - £174,999	-	-	-	-
£175,000 - £179,999	-	-	-	-
£180,000 - £184,999	-	-	-	-
Total	139	107	120	115

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:

2013/14

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	53	24	77	741,996
£20,001 - £40,000	23	15	38	1,047,150
£40,001 - £60,000	3	5	8	376,197
£60,001 - £80,000	3	2	5	347,261.60
£80,001 - £100,000	-	3	3	277,491
£100,001 - £150,000	-	1	1	101,269.43
£150,001 - £200,000	-	1	1	191,098.21
Accruals/Provision	-	-	-	628,646
Total	82	51	133	3,711,109

2014/15

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	13	5	18	165,153
£20,001 - £40,000	5	5	10	308,696
£40,001 - £60,000	3	3	6	289,501
£60,001 - £80,000	1	-	1	74,365
£80,001 - £100,000	1	-	1	80,437
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	-	-	-
Accruals/Provision				173,599
Total	23	13	36	1,091,751

The total cost of £1,091,751 in the table above includes £173,599 for exit packages that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year. In addition the Comprehensive Income and Expenditure Statement includes a provision for £25,354.

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 members of the County Council. Full details of the allowances paid to each individual councillor are published on the Council's website: www.goucestershire.gov.uk

	2013/14 £'000	2014/15 £'000
Basic Allowances	475	475
Special Responsibility Allowances	237	261
Travel & Subsistence Allowances	28	32
Total	740	768

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:

	2013/14 £'000	2014/15 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	131	131
Fees payable for the certification of grant claims and returns for the year	3	3
Fees payable in respect of other services provided during the year	-	-
Total	134	134

In addition to the above charges the Council also received a rebate totalling £26,775, as a final settlement from the Audit Commission.

23. Deployment of Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education via the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2014/15 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2014/15 before academy recoupment			392,988
Academy figure recouped for 2014/15			157,233
Total DSG after academy recoupment for 2014/15			-235,765
Plus: Brought forward from 2013/14			5,590
Less: Carry forward to 2014/15 agreed in advance			-
Agreed initial budgeted distribution in 2014/15	71,952	169,403	241,355
In Year Adjustments	82	-	82
Final budget distribution for 2014/15	72,034	169,403	241,437
Less: Actual central expenditure	64,311	-	64,311
Less: Actual ISB deployed to schools	-	169,403	169,403
Plus: Local Authority contribution for 2014/15	-	-	-
Carry Forward to 2015-16	7,723	-	7,723

24. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15.

Credited to Taxation and Non Specific Grant Income

	2013/14 £'000	2014/15 £'000
Revenue Support Grant	-99,494	-85,983
National Non Domestic Rates Grant	-65,642	-65,399
Non Service Related Grants	-22,080	-26,017
Fire Pensions Top Up Grant	-2,005	-2,469
Total	-189,221	-179,868

Revenue Grants Credited to Services

	2013/14 £'000	2014/15 £'000
Department for Work & Pensions - Workstep Grant	-3	-1
Department for Children's Schools & Families Grants	-11,398	-20,450
Department for Education Grants	-235,895	-236,618
Department of Health Grants	-21,573	-22,701
Community & Local Government Grants	-6,125	-4,717
Youth Justice Board Grant	-645	-724
Young Peoples Learning Agency Grants	-2,787	-2,102
Other Grants	-9,210	-8,617
Skills Funding Agency	-3495	-4,017
Total	-291,131	-299,947

	2013/14 £'000	2014/15 £'000
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Account	-42,339	-43,193

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 giver. The balances at the year-end are as follows:

	2013/14 £'000	2014/15 £'000
Capital Grants Receipts in Advance		
Department for Transport Grants	-89	-89
Non Government Contributions for Capital purposes	-6,167	-6,434
Highways Section 106 Contributions	-11,842	-11,490
Accountable body	-	-2,841
Total	-18,098	-20,854

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.

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 are set out in the subjective analysis in Note 18 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2015 are shown in Note 24.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 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 £4.4m (£10.3m in 2013/14) was held in the Pension Fund accounts for 2014/15 gaining interest of £0.020m. (£0.057m in 2013/14). The Council charged £1.41m (£1.26m in 2013/14) for administering the Pension Fund. At 31st March 2015, the Council owed the Pension Fund £32.3k (£149.3k in 2013/14) and was owed £165.2k (£290.7k in 2013/14) by 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 its obligations to Order of St John Care Trust (OSJ) and Bedford Pilgrims Housing Association (BPFA).

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. At present the Council is a related party by virtue of Councillor Anthony Hicks being a Director of GCP during the year.

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 2014/15 payments of £16.8m (£16.9m in 2013/14) were made to the Order of St John Care Trust in relation to this contract. £1.3m was outstanding at the year end (2013/14 £1.5m).

There is a contractual arrangement between the Council and the Brandon Trust for the provision of Learning Disabilities Services. In 2014/15 payments of £7.4m (£10.6m in 2013/14) were made to the Brandon Trust, with a further £0.3m collected as client contributions (£0.4m in 2013/14).

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 2014/15 of the partnership was £492,000, with the council's contribution to this being £237,000.

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.

	2013/14 £'000	2014/15 £'000
Opening Capital Financing Requirement	396,608	353,760
Property, Plant and Equipment	48,223	49,034
Revenue Expenditure Funded from Capital under Statute	9,700	9,486
Total to Finance	<hr/> 57,923	<hr/> 58,520
Sources of finance		
Capital Receipts	-381	-8,098
Government Grants and other Contributions	-52,395	-45,347
Direct Revenue Contributions	-5,147	-5,075
	<hr/> -57,923	<hr/> -58,520
MRP	-15,321	-13,605
Capital Receipts applied against debt	-8,348	0
VRP	-19,179	-13,825
Total revenue provision	<hr/> -42,848	<hr/> -27,430
Closing Capital Financing Requirement	<hr/> 353,760	<hr/> 326,330
Explanation of movements in year		
Increase/decrease (-) in underlying need to borrowing	-42,848	-27,430
Assets acquired under PFI/PPP contracts	-	-
Increase/Decrease (-) in Capital Financing Requirement	<hr/> -42,848	<hr/> -27,430

Capital Expenditure 2014/15

	£'000	%
Adults	384	1
Children & Families	17,415	30
Communities & Infrastructure		
Infrastructure	28,013	
Enabling & Transition	5,730	
Libraries & Archives	167	
Fire & Rescue	1,101	
	35,011	59
Capital Receipts Expenditure	322	1
Rural Broadband Joint Working	5,388	9
	58,520	100

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 30, there were no further finance leases identified by the Council during 2014/15

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
2013/14			
Property	668	1,787	2,322
Vehicles:			
Fire Service	29	16	0
Officer contract car-hire & Other Services	288	364	26
			0
	985	2,167	2,348
2014/15			
Property	725	2,186	2,085
Vehicles:			
Fire Service	16	0	0
Officer contract car-hire & Other Services	364	706	1
	1,105	2,892	2,086

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:

	2013/14 £'000	2014/15 £'000
Property	764	734
Vehicles:		
Fire Service	204	29
Officer contract car-hire & Other Services	407	440
	1,375	1,203

Council as Lessor

Finance Leases (IAS 17)

The Council has looked at all leases (including those that terminated at 31st March 2015) 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
2013/14			
Property	2,076	7,661	12,004
Total	2,076	7,661	12,004
2014/15			
Property	1,885	6,988	7,365
Total	1,885	6,988	7,365

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

	2013/14 £'000	2014/15 £'000
Property	2,129	1,945
	2,129	1,945

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

2014/15 was the twelfth 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 2015 (excluding any estimation of inflation and availability/performance deductions) are as follows:

		Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
2013/14		£'000	£'000	£'000	£'000
653	Paid in 2014/15	402	132	136	670
Outstanding undischarged contract obligations:					
670	Payable within one year	412	141	134	687
2,851	Payable within two to five years	1,753	696	473	2,921
3,979	Payable within six to ten years	2,446	1,234	397	4,077
3,552	Payable within eleven to fifteen years *	1,618	986	92	2,697
11,052	Total	6,229	3,057	1,096	10,382

* There are thirteen years remaining.

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

	2013/14 £'000	2014/15 £'000
Balance outstanding at start of year	1,558	1,533
Payments during the year	-25	-22
Balance outstanding at year-end	1,533	1,511

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

	2013/14 £'000	2014/15 £'000
Opening Net Book Value	1,576	1,512
Depreciation	-105	-91
Additions	41	46
Revaluations	0	-373
Balance	1,512	1,094

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 2015 (including an estimation of inflation and excluding estimations of availability/performance deductions) are as follows:

		Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
2013/14		£'000	£'000	£'000	£'000
3,210	Paid in 2014/15	921	557	1,811	3,290
Outstanding undischarged contract obligations:					
3,289	Payable within one year	944	656	1,772	3,372
14,002	Payable within two to five years	4,019	3,681	6,653	14,352
19,565	Payable within six to ten years	5,615	7,285	7,153	20,053
22,136	Payable within eleven to fifteen years	6,353	10,744	5,592	22,689
25,044	Payable within sixteen to twenty years	7,188	14,847	3,635	25,670
18,031	Payable within twenty-one to twenty-five years	3,539	8,471	630	12,640
102,067	Total	27,657	45,683	25,436	98,777

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:

	2013/14 £'000	2014/15 £'000
Balance outstanding at start of year	20,816	20,411
Payments during the year	-405	-441
Balance outstanding at year-end	20,411	19,970

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

	2013/14 £'000	2014/15 £'000
Opening Net Book Value	22,315	21,434
Depreciation	-883	-1,010
Additions	2	2
Revaluation	-	2,090
Closing Balance	21,434	22,516

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.

There were no service concession identified by the Council during 2014/15.

29. Impairment Losses

Capital Impairment Loss

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 2014/15, incurring liabilities of £1.1m (£3.7m in 2013/14). 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 2014/15, the Council paid £12.4m to the Teachers' Pensions Agency (TPA) in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £12.6m and 14.1%. 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.

These additional benefits, including unfunded compensation, are paid directly by the Council for retirements up to 1999 (£3.6m) and via the TPA for retirements post 1999 (£1.2m). Together these additional benefits costs totalled £4.8m in 2014/15 representing 5.47% of pensionable pay.

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.

In 2014/15, the Council paid £105k to the NHS in respect of public health retirement benefits, representing 14.0% of pensionable pay.

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 final salary scheme, 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 (ie 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.

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	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Cost of Services:				
Service Cost Comprising:				
Current service cost	24,202	27,101	4,800	5,100
Past service costs	930	235	-	-
Losses / Gains (-) on settlements	-866	-6,293	-	-
Financing and Investment Income and Expenditure				
Net interest on the defined pension liability	18,297	18,513	7,600	8,100
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	42,563	39,556	12,400	13,200
<hr/>				
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount charged in the net interest expense)	-14,840	-78,324	-	-
Actuarial gains and losses arising on changes in demographic assumptions	21,229	-	4,100	-
Actuarial gains and losses arising on changes in financial assumptions	25,537	166,039	6,800	26,600
Other experience	-8,213	-9,847	-	-100
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	23,713	77,868	10,900	26,500

	Local Government Pension 2013/14 £'000	2014/15 £'000	Unfunded - Firefighters' 2013/14 £'000	2014/15 £'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	-7,379	-1,984	-8,500	-9,100
	-7,379	-1,984	-8,500	-9,100

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

Employers' contributions payable for unfunded teachers scheme & LGPS benefits (discretionary)	30,631	33,017	3,900	4,100
Employers' contributions payable to scheme for unfunded LGPS benefits (Discretionary)	4,553	4,555	-	-
Total employers contributions	35,184	37,572	3,900	4,100

Retirement benefits payable to pensioners		5,000		5,100
---	--	-------	--	-------

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 2013/14 £'000	2014/15 £'000	Unfunded - Firefighters' 2013/14 £'000	2014/15 £'000
Present value of the defined benefit obligation	1,203,708	1,387,230	188,300	223,700
Fair value of plan assets	-759,907	-863,577	0	0
Sub-total	443,801	523,653	188,300	223,700
Other movements in the liability (asset)	-	-	-	-
Net liability arising from defined benefit obligation	443,801	523,653	188,300	223,700

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

	Local Government Pension 2013/14 £'000	2014/15 £'000	Unfunded - Firefighters' 2013/14 £'000	2014/15 £'000
Opening fair value of scheme assets	719,419	759,907	-	-
Interest Income	32,091	32,329	-	-
Remeasurement Gain / Loss (-):				
The return on plan assets, excluding the amount included in the net interest expense	14,840	78,324	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	35,184	37,572	3,900	4,300
Contributions from employees into the scheme	6,850	7,132	1,100	1,200
Benefits paid	-38,770	-39,860	-5,000	-5,500
Benefits paid for unfunded LGPS benefits (Discretionary)	-4,553	-4,555	-	-
Assets distributed on settlement	-5,154	-7,272	-	-
Closing fair value of scheme assets	759,907	863,577	-	-

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

	Funded liabilities:		Unfunded liabilities:	
	Local Government Pension		Firefighters' Pension	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Opening balance at 1 st April	-1,132,128	-1,203,708	-168,900	-188,300
Current service cost	-24,202	-27,101	-4,800	-5,100
Interest cost	-50,388	-50,842	-7,600	-8,100
Contributions from scheme participants	-6,850	-7,132	-1,100	-1,200
Remeasurement Losses / Gains (-):				
Actuarial gains/losses arising from changes in demographic assumptions	-21,229		-4,100	
Actuarial gains/losses arising from changes in financial assumptions	-25,537	-166,039	-6,800	-26,600
Other experience	8,213	9,847	0	100
Past service costs (Including curtailments)	-930	-235	-	
Liabilities assumed on entity combinations	-	-	-	
Benefits paid	38,770	39,860	5,000	5,500
Benefits paid for unfunded teachers scheme & LGPS benefits (Discretionary)	4,553	4,555	-	
Liabilities extinguished on settlements, where relevant	6,020	13,565	-	
Closing balance at 31st March	-1,203,708	-1,387,230	-188,300	-223,700

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets					
	2013/14		TOTAL	2014/15		TOTAL
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000		Quoted prices in active markets £'000	Quoted prices not in active markets £'000	
Cash and cash equivalents	12,867	-	12,867	13,062	-	13,062
Equity Instruments:						
By Industry Type (a)						
Consumer	43,608	-	43,608	46,342	-	46,342
Manufacturing	18,249	-	18,249	20,603	-	20,603
Energy and utilities	25,012	-	25,012	21,903	-	21,903
Financial institutions	37,946	-	37,946	40,997	-	40,997
Health and care	8,492	-	8,492	8,213	-	8,213
Information Technology	1,186	-	1,186	-	-	-
Other	28,188	-	28,188	20,703	-	20,703
Sub-total equity (a)	162,681	-	162,681	158,761	-	158,761
Bonds:						
By Sector						
Corporate (investment grade)	36,367	-	36,367	43,842	-	43,842
Corporate (non-investment grade)	2,424	-	2,424	3,303	-	3,303
UK Government	68,192	-	68,192	81,291	-	81,291
Other	5,516	-	5,516	14,143	-	14,143
Sub-total bonds	112,499	-	112,499	142,579	-	142,579
Real Estate:						
UK Property	34,452	7,919	42,371	42,828	14,824	57,652
Overseas Property	-	2,642	2,642	-	4,442	4,442
Sub-total real estate	34,452	10,561	45,013	42,828	19,266	62,094
Private equity:						
All	-	2,545	2,545	-	2,577	2,577
Investment Funds and Unit Trusts						
Equities	24,403	330,996	355,399	28,516	376,791	405,307
Bonds	32,768	766	33,534	37,438	2,292	39,730
Other	-	35,274	35,274	-	39,520	39,520
Sub-total investments funds and Unit Trusts	57,171	367,036	424,207	65,954	418,603	484,557
Derivatives						
Forward foreign exchange contracts	134	-	134	-	-	-
Other	-39	-	-39	-53	-	53
Sub-total derivatives	95	0	95	-53	-	53
TOTAL ASSETS	379,765	380,142	759,907	423,131	440,446	863,577

Fair Value of Scheme

2013/14 £'000	2014/15 £'000
------------------	------------------

Equity Instruments:

By company size

FTSE 100	119,994	113,451
FTSE 250	42,687	40,341
Pooled UK Smaller Companies	-	4,969
Sub-total equity instruments	162,681	158,761

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 2013. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded liabilities: Firefighters' Pension Scheme-Old Scheme		Unfunded liabilities: Firefighters' Pension Scheme-New Scheme	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Mortality assumptions:						
Longevity (yrs) at 65 (60 for Fire) for current pensioners:						
Men	22.5	22.5	29.3	29.5	29.3	29.5
Women	24.6	24.6	31.5	31.7	31.5	31.7
Longevity (yrs) at 65 (60 for Fire) for future pensioners: (Figures assume members aged 45 as at 31.03.13 for						
Men	24.4	24.4	30.9	31.1	30.9	31.1
Women	27.0	27.0	33.0	33.2	33.0	33.2
Rate of Inflation	3.6%	3.3%	3.6%	3.3%	3.7%	3.4%
Rate of increase in salaries	4.1%	3.8%	3.8%	3.4%	3.9%	3.5%
Rate of increase in pensions **	2.8%	2.4%	2.8%	2.4%	2.9%	2.5%
Rate for discounting scheme liabilities #	4.3%	3.2%	4.3%	3.2%	4.3%	3.3%

** Pension increases are assumed to be 0.8% 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 2015	Approximate Increase	Approximate monetary amount	
	%	£'000	
Local Government Pension Scheme - Increase to Employer Liability			
0.5% decrease in Real Discount Rate	9%	131,124	
1 year increase in member life expectancy	3%	41,617	
0.5% increase in the Salary Increase Rate	3%	36,900	
0.5% increase in the RPI Rate (affecting both Salary & Pension Increases)	10%	128,764	
0.5% increase in the Pension Increase Rate (CPI)	7%	91,864	
Fire Fighters Pension Scheme - Increase to Employer Liability			
0.1% decrease in Real Discount Rate	2%	4,300	
1 year increase in member life expectancy	3%	6,700	
0.5% increase in the Salary Increase Rate	1%	3,300	
0.5% increase in the RPI Rate (affecting both Salary & Pension Increases)	9%	22,000	
0.5% increase in the Pension Increase Rate (CPI)	8%	18,700	
Fire Fighters Pension Scheme - Increase to Projected Current Service Cost			
0.1% decrease in real Discount Rate	3%	150	
1 year increase in member life expectancy	3%	160	
0.5% increase in the Salary Increase Rate	4%	190	
0.5% increase in the RPI Rate (affecting both Salary & Pension Increases)	16%	800	
0.5% increase in the Pension Increase Rate (CPI)	12%	610	

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as a constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016. 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 £33.9m expected contributions to the LGPS scheme and £1.6m for the Fire scheme in 2015/2016.

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

		Duration	Duration
		2013/14	2014/15
LGPS	Duration as at previous formal valuation - 31.03.13	17.6	17.6
Fire	Duration effective as at previous formal valuation - 31.03.12	18.3	18.9
Fire - Injury	Duration effective as at previous formal valuation - 31.03.12	21.4	21.8

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.

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 £0.75m.

Waste PPP

The Council's waste scheme was finalised during 2012/13, however the facility was refused planning in February 2013 and an appeal was submitted by UBB (Gloucestershire) Ltd. The appeal by UBB (Gloucestershire) Ltd. was successful and planning permission was granted by Secretary of State on the 6th January 2015. Stroud District Council appealed against the Secretary of States decision and the case was heard on 25th June 2015 when the decision of successful planning permission was upheld. In the event that the project is terminated at any time on the grounds of Force Majeure the cost of termination would range from £23m - £66m.

34. Nature and extent of risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

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

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2015 that this was likely to crystallise.

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

	Amount at 31 st March 2015	Historical experience of default	Historical experience adjusted for market conditions at 31 st March 2015	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with Banks & Financial Institutions	253,980	-	-	-
Customers	10,546			711
	264,526			711

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

The Council's debtors, including any payments in advance made by the Council totalled £57.583m as at 31st March 2015, 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 2015 these debts totalled £0.711m.

Generally the recovery process commences when an invoice is 28 days overdue. The following provides an aged-debt analysis of our outstanding debtor invoices.

	2013/14 £'000	2014/15 £'000
Less than a month	5,284	4,539
One to three months	2,582	2,057
Three to six months	712	1026
More than six months	2,337	2,924
	10,915	10,546

Liquidity Risk

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

	2013/14 £'000	2014/15 £'000
Less than one year	49,403	62,725
Between one and two years	4,863	4,863
Between two and five years	21,062	24,062
Between five and ten years	37,872	44,509
Between ten and twenty years	44,500	44,000
Between twenty and thirty years	47,958	47,849
Between thirty and forty years	91,270	77,379
Between forty and fifty years	15,000	15,000
Finance Lease Liability	21,943	21,481
	333,871	341,868

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 2015, 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	0
<u>Increase in interest receivable on variable rate investments</u>	<u>-488</u>
<u>Impact on Surplus or Deficit on the Provision of Services</u>	<u>-488</u>

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 Council has no equity investments and thus has no direct exposure to loss arising from movements in the price of shares.

Foreign Exchange Risk

The Council's has minimal exposure to foreign exchange rates, however following the sale via auction of the Council's remaining deposit with Glitnir Bank the money was repaid in Euros (totalling 1.895m EUR). Due to the poor exchange rate at the time of sale this sum has remained in the Euro Account, and will be converted once rates improve. All other conversions are carried out at spot rates with minimal financial risk.

35. Trust Funds

At 31st March 2014 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 2014	Income	Expenditure	Balance at 31 st March 2015
	£	£	£	£
Libraries				
2 trusts providing books for libraries	2,794	169	-165	2,798
Gloucestershire Heritage Trust Ltd				
Preserves and renovates specific buildings and areas which are of historic interest	6,915	-	-	6,915
Gloucestershire War Relief				
The awarding of grants relating to service in the Great War	411	-	-	411
Total	10,120	169	-165	10,124

In addition to the above Trust Funds, the Council is holding £327,000 in relation to Criminal Injury Claims. This is included in the creditors balance on the Balance Sheet.

36. Insurance

The Council arranges external insurance subject to the following excess levels: public and employer's liability £370,500. Fire/storm/water perils damage to all Council Properties £100,000 excess and damage to vehicle £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 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 £2.568m represents the shares of the PFI Joint Fire Training Centre project equalisation fund attributable to Avon Fire Authority and Devon & Somerset Fire Authority.

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 2015:

Collection Fund as at 31 st March 2015	Arrears after impairment allowance for doubtful/bad debt (Debtors) £'000	Overpayments and prepayments (Creditors) £'000	Collection Fund Surplus (-) /Deficit £'000	Cash (shown as Debtor or Creditor) £'000
Council Tax Collection	7,171	-3,540	-4,745	1,114
Non-Domestic Rates Collection	432	-2,068	3,127	-1,491
Total	7,603	-5,608	-1,618	-377

39. Prior Period Restatements

Following a change to the requirements of the code for the accounting treatment of Schools, the Council have amended its accounting policies and have now brought onto the balance sheet assets relating to Foundation and Voluntary Aided Schools. Valuations at the 1st April 2013 and 1st April 2014 have been assessed and the Council's Balance Sheet, Comprehensive & Income Statement and the Movement in Reserves Statement have been restated accordingly. The value of School assets at 1st April 2013 totalled £194.4 million. This represented 67 Foundation and Voluntary Aided Schools. A net revaluation gain of £8.954 million was then achieved in 2013-14. The following accounting adjustments have therefore been made:-

	2012-13 £000's	2013-14 £000's
Property Plant and Equipment Assets Reported	938,779	931,502
Recognition of School Assets	194,413	194,413
Revaluation increases/Decreases		8,954
Restated Property Plant and Equipment Assets	1,133,192	1,134,869
	2012-13 £000's	2013-14 £000's
Capital Adjustment Account Reported	450,101	496,080
Recognition of School Assets	194,413	194,413
Restated Capital Adjustment Account	644,514	690,493
	2012-13 £000's	2013-14 £000's
Revaluation Reserve Account Reported	97810	88443
School Revaluation increases/Decreases		8954
Restated Revaluation Reserve	97,810	97,397

A further 3 Voluntary Aided Schools converted to Academy status during 2014-15. As a result a total of 64 Foundation and Voluntary Adided Schools are included within the Council's asset register as at the 31st March 2015.

40. Gain/Loss on disposal of non current assets

The gain/loss on disposal of fixed assets includes £1.5m of capital receipts for a special school asset which converted to academy status in 2012-13. The net book value of this asset was written out in 2012-13 on the basis that the Council had no residual control or interest in this property. The asset remained in the Council's control as a surplus asset and has now been sold during 2014-15.

41. Post Balance Sheet Event

The Residual Waste Project achieved planning permission on the 6th January 2015. The decision was appealed against by Stroud District Council under S288 of the Town and Country Planning Act. On the 10th July the Planning Court dismissed the appeal and as a consequence the Residual Waste Contract has now achieved satisfactory planning subject to planning conditions being met.

Gloucestershire Pension Fund**Fund Account for the year ended 31st March 2015**

2013/14 re-stated £'000	2014/15 £'000	Note
Dealings with members, employers and others directly involved in the scheme		
Contributions		
-68,809 from employers	-76,113	N20
-16,086 from members	-16,753	N20
<u>-84,895</u>	<u>-92,866</u>	N7
Transfers in from other pension funds		
-4,719 individual transfers in from other schemes	-3,708	N28
0 group transfers in from other schemes	-2,556	
<u>-4,719</u>	<u>-6,264</u>	
Other income		
-297 recoveries for services provided	-157	N22
Benefits		
58,316 pensions	60,335	
9,165 commutation of pensions and lump sum retirement benefits	8,918	
1,007 lump sum death benefits	1,755	
<u>68,488</u>	<u>71,008</u>	N7
Payments to and on account of leavers		
10 refunds of contributions	102	
-3 state scheme premiums	31	
3,843 individual transfers out to other schemes	3,579	N28
9,200 group transfers out to other schemes	29,012	
<u>13,050</u>	<u>32,724</u>	
<u>-8,373</u>	<u>Net (addition) / withdrawal from dealings with scheme members</u>	<u>4,445</u>
7,390 Management expenses	7,093	N9, N19 & N22
Returns on investments		
-26,786 Investment income	-23,655	N15 & N19
1 Taxes on income	41	N3 & N15
-93,887 Profit(-) and losses on disposal of investments and changes in market value of investments	-190,503	N4 & N19
<u>-120,672</u>	<u>Net returns on investments</u>	<u>-214,117</u>
<u>-121,655</u>	<u>NET INCREASE (-) / DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR</u>	<u>-202,579</u>
1,384,840 Opening net assets of the scheme	1,506,495	
<u>1,506,495</u>	<u>Closing net assets of the scheme</u>	<u>1,709,074</u>

Gloucestershire Pension Fund

Net Assets Statement as at 31st March 2015

2013/14 £'000	2014/15 £'000	Note
Investment assets		
150,399	Fixed interest securities	173,518
316,478	Equities	312,365
78,543	Index-linked securities	103,682
842,755	Pooled investment vehicles	978,743
90,919	Property unit trusts	113,586
172	Derivative contracts	587
4,934	Other investments - Venture Capital/Private Equity	4,587
17,025	Cash held on behalf of the investment managers	6,876
4,584	Other investment balances	5,439
1,505,809	1,699,383	
Investment liabilities		
-16	Derivative contracts	-949
-1,449	Other investment balances	-1,436
-1,465	-2,385	
Long term assets		
609	Contributions due from employer	338
3,090	Other long term assets (debtors)	2,472
3,699	2,810	N24
Current assets		
3,050	Contributions due from employers	3,076
294	Other current assets	581
618	Money due re. transfer of staff to another pension scheme	1,236
7,451	Cash balances	6,413
11,413	11,306	N2, N23, N27
Current liabilities		
-61	Unpaid benefits	-5
-12,900	Other current liabilities	-1,975
0	Receipts in advance	-60
-12,961	-2,040	N25
1,506,495	Net assets of the scheme available to fund benefits at the period end	1,709,074
		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

N1. Introduction

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

The Local Government Pension Scheme is a statutory funded pension scheme. It is "contracted out" of the state scheme and is termed a defined benefit scheme. 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 the Consumer Prices Index.

The scheme is voluntary and made available to all (*) employees except fire fighters, police and teachers (who have their own separate nationally-administered schemes). The Fund is financed by contributions paid in by the existing employees and their employers and by earnings from the investment of Fund monies. The number of contributors at 31st March 2015 was 18,141 (2014 17,936). 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 2009 (as amended)

A full analysis of membership, funding and benefits can be found in the Pension Fund's Annual Report. The Fund exists to provide pensions and certain other benefits to former employees. The Pension Fund is not a Gloucestershire County Council fund and is subject to its own audit, therefore balances are not included in the Gloucestershire County Council Consolidated Balance Sheet. The Fund is administered by the Pension Committee, which is a committee of Gloucestershire County Council.

** There are restrictions with some casual staff*

N2. Accounting policies

Basis of preparation

The Statement of Accounts summarises the Funds' transactions for the 2014/15 financial year and its position at year end as at 31st March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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 pensions and 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 27 of these accounts. The accounts are prepared on a going concern basis.

Accruals concept applied

Income and expenditure have been accounted for on an accruals basis so far as amounts due have been determined in time for inclusion in the accounts. Any amount due in year but unpaid will be classed as a current financial asset. Benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid claims approved during the year. Individual transfer values are accounted for when they are paid or received. Bulk transfer values are accrued when the value has been determined.

Management expenses

Pension Fund expenses have been accounted for in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*. Consequently Administrative Expenses and Investment Management Expenses have been amalgamated under Management Expenses and the comparator figures for 2013/14 have been restated to reflect the implementation of the CIPFA guidance. Management expenses reported in the Fund Account for 2013/14 have also been increased by £0.5m to £7.39m and Profit and Loss on disposal of investments and changes in the market value of investments has similarly been increased by £2.7m to £93.89m to reflect the fees which had been deducted at source or previously offset against dividend income. A more detailed breakdown of management expenses can be found in Note N22.

Investment management expenses

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

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

Hermes deducts its fees from a combination of assets held and income distributions. GMO and Yorkshire Fund Managers deduct their fees from the value of the assets under their management.

Acquisition and transaction costs of investments

Pension Fund expenses have been accounted for in accordance with the *CIPFA guidance Accounting for Local Government Pension Scheme Management Costs*. Consequently acquisition costs of investments (e.g. stamp duty) and transaction costs previously included within the purchase cost/proceeds of investment purchases and sales have now been added to Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments; comparator figures for 2013/14 have been restated to reflect the implementation of the CIPFA guidance. In addition to the transaction costs disclosed, indirect costs are incurred through the bid/offer spread on investments within pooled investment vehicles. The amount of indirect costs are not separately provided to the Fund. Please also see Note 19. A more detailed breakdown of management expenses can be found in Note N22.

Administration expenses

All administrative expenses are accounted for on an accrual basis. All staff costs associated with administration are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. A more detailed breakdown of 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 are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. A more detailed breakdown of oversight and governance expenses can be found in Note N22.

Where the Fund has obtained investment advice from external consultants the cost is now included in Oversight & Governance charges.

Valuation of assets

The SORP requires securities to be valued on a Fair Value Basis therefore assets, where there is an active and readily available market price, are valued at the bid (selling) price and liabilities on an offer (buying) price basis. Where assets do not actively trade through established exchange mechanisms a price is obtained from the manager of the investment asset. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates prevailing as at 31st March 2015. Purchases and sales during the year which require settlement in a foreign currency are converted from/to sterling at the exchange rate prevailing on the trade date. Fixed interest securities are recorded at net market value based on their yields. Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is re-invested in the fund, net of applicable withholding tax. Property within the property unit trusts are independently valued 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.

Cash

Cash balances held in accordance with the County Councils' Treasury Management Strategy and those held with the Funds' Custodian BNY Mellon, on behalf of investment managers, are in instant access accounts, subject to timing deadlines.

Derivatives

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

N3. Taxation

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

N4. Investment movements summary

2014/15

Asset Class	Market Value at	31st March 2014	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value, new money and accruals	Market Value at 31 st March 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest	150,399	38,750	-32,542	16,911	173,518	
Equities	316,478	39,878	-44,212	221	312,365	
Index Linked	78,543	15,373	-5,030	14,796	103,682	
Derivatives	156	201	-498	-221	-362	
Pooled Investments	842,755	19,448	-24,507	141,047	978,743	
Property Unit Trusts	90,919	11,111	-603	12,159	113,586	
Private Equity	4,934	259	-	-606	4,587	
	1,484,184	125,020	-107,392	184,307	1,686,119	
Cash movement, currency adjustments and other end of year settlements	22,311			6,196	22,955	
	1,506,495			190,503	1,709,074	

2013/14

Asset Class	Market Value at	31 st March 2013	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value, new money and accruals	Market Value at 31 st March 2014
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest	151,104	56,997	-52,359	-5,343	150,399	
Equities	282,317	57,014	-48,244	25,391	316,478	
Index Linked	74,137	20,788	-11,358	-5,024	78,543	
Derivatives	-106	-	-437	699	156	
Pooled Investments	763,382	9,940	-	69,433	842,755	
Property Unit Trusts	77,721	7,276	-	5,922	90,919	
Private Equity	4,369	-	-	565	4,934	
	1,352,924	152,015	-112,398	91,643	1,484,184	
Cash movement, currency adjustments and other end of year settlements	31,916			*2,244	22,311	
	1,384,840			93,887	1,506,495	

*Please see Note 19 - Changes to Comparative Figures

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

The derivatives in the previous tables represents futures and forward foreign exchange contracts. The closing market value 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 total 'cash movement' 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:

	2013/14		2014/15	
	£'000	%	£'000	%
Western Asset Management Company	307,305	20.4	359,868	21.1
BlackRock	414,786	27.5	495,689	29.0
CBRE	21,839	1.5	37,728	2.2
GMO	280,844	18.6	311,184	18.2
Standard Life Investments	404,913	26.9	405,851	23.7
Hermes Investment Management Property Unit Trust	69,715	4.6	82,073	4.8
YFM Group	4,935	0.3	4,587	0.3
Total - External Managers	1,504,337	99.8	1,696,980	99.3
In-house cash and accruals	2,151	0.2	12,075	0.7
Cash instruments with Custodian	7	0.0	19	0.0
	1,506,495	100.0	1,709,074	100.0

Where the value of an investment exceeds 5% of the total value of net assets or 5% of its asset class, 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 2013 and established the minimum contribution payments for the three years until 31st March 2017. The next valuation will take place as at March 2016.
- 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 2013 valuation showed that the total common contribution rate was 32.9% (25.8% 2010 valuation) for the three years to 31st March 2017. Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 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, is sufficient to meet:
 - ❖ 100% of the liabilities arising in respect of service after the valuation date;
 - ❖ plus an adjustment over a period of 20 years 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 2013 triennial valuation date was £1,385m (£1,054m March 2010) and represented 70.1% (70.4% March 2010) 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 unit method in line with accepted guidelines and the main actuarial assumptions used are as follows:

	Funding Basis	
	2010	2013
Rate of return on investments (Discount Rate)	6.1% pa	4.6% pa
Rate of general pay increases *	4.8% pa **	3.8% pa
Rate of increase to pensions in payment (in excess of guaranteed minimum pension)	3.3% pa	2.5% pa

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

** 1% pa for 2010/11 and 2011/12, reverting to 4.8% pa thereafter.

- The full actuarial valuation reports for 2007, 2010 and 2013 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

	2013/14		2014/15	
	Contributions receivable £'000	Benefits payable £'000	Contributions receivable £'000	Benefits payable £'000
Gloucestershire County Council [Administering authority]	37,946	37,147	39,624	39,057
Scheduled bodies (141 14/15) (137 re-stated 13/14)** [Bodies admitted by right]	39,487	28,592	*45,308	28,613
Admitted bodies (35 14/15) (31 13/14) ** [Bodies admitted by agreement]	7,462	2,749	7,934	3,338
	84,895	68,488	92,866	71,008

Scheduled bodies now include 75 (70 in 13/14) schools who have converted to academy status. This figure contains one school which in 2014/15 changed from a Foundation School (Which was already included within Scheduled Bodies) to an Academy.

* The increase in scheduled bodies' contributions of £5.8m is due mainly to the increase in employers' pension contributions as a result of the 2013 Actuarial Valuation and an employer paying an extra £1m to improve its funding level.

** These numbers relate to active employers with active members

N8. Statement of Investment Principles

A Statement of Investment Principles, which sets out the Pension Fund's long-term investment objectives, its style of management and policies together with risk management, performance targets and details of how that performance is monitored and reviewed, can be found in the Annual Report of the Gloucestershire Pension Fund. This statement is also available on the website at the following address www.goucestershire.gov.uk/pensionsinvestments

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.

	2013/14 £'000	2014/15 £'000
Administration expenses	1,256	1,412

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 2, 23 and 27.

Of the County Council's key management personnel, some of the Director: Strategic Finance's remuneration costs were charged to the Fund to reflect time spent. These consisted of salary, fees and allowances of £10,813 (£10,276 2013/14) and employers' pension contributions of £2,801 (£2,559 2013/14).

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

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

Member	District Council
Cllr. D. Brown	Gloucester City Council
Cllr. C. Hay	Cheltenham Borough Council
Cllr. L. Stowe	Cotswold District Council
Cllr. R. Theodoulou	Cotswold District Council

In addition Councillor L. Stowe is Cotswold District Council's nominated shareholder for Ubico Limited, Councillor C. Hay sits on the Boards of Cheltenham Borough Homes and Cheltenham Leisure & Culture Trust and Councillor N. Cooper is a governor of Archway School. Ubico Limited, Cheltenham Borough Homes, Cheltenham Leisure & Culture Trust and Archway School are employers in the Fund.

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

N10. Contingent liabilities and contractual commitments

The Fund has an investment within a private equity fund managed by Yorkshire Fund Managers. The following table shows the Fund's total commitment and the remaining liability, following drawdowns, at the year end.

	Total Commitment £'000	Outstanding liability 2013/14 £'000	Outstanding liability 2014/15 £'000
Chandos Fund	3,000	546	286
CBRE	30,000	1,749	591
	33,000	2,295	877

In May 2014 the commitment to CBRE, the global property manager, was increased from £20m to £30m.

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 (13/14 £38,504) has been recorded for possible additional contributions from ex members of staff, during 2015/2016 and future years.

N12. Unquoted holdings

The following holdings are unquoted:

	2013/14 £'000	2014/15 £'000
Pooled investment vehicles		
UK equity unitised insurance policy	10,044	9,218
Global equity managed funds	280,844	311,184
Overseas equity unitised insurance policies	367,653	437,153
UK limited liability partnerships	740	5,874
Overseas limited liability partnerships	1,528	4,607
Global multi asset unitised insurance policy	69,290	78,772
	730,099	846,808
Property unit trusts		
UK property unit trust	14,505	19,755
Overseas property unit trust	7,426	11,759
	21,931	31,514
Total	752,030	878,322

N13. Stocklending

The Pension Funds' custodian has been authorised to release stock to third parties under a stock lending arrangement. At 31st March 2015 the value of stock out on loan was £4.8m (2013/14 £3.9m) of which £4.8m (£3.9m) were UK equities. Collateral of £5.1m (£4.2m) equal to 106% (108%) of stock out on loan was held in the form of AA rated (or better) UK and G10 Overseas Government debt. The Pension Fund stipulates those institutions that are allowed to borrow its stock and the type of collateral that is acceptable.

N14. Financial asset analysis

		2013/14 £'000	2014/15 £'000	Note
Financial assets				
Fixed interest securities				
UK - Public Sector	- Quoted	62,670	63,141	
- Other	- Quoted	78,682	93,852	
Overseas - Public Sector	- Quoted	6,796	13,678	
- Other	- Quoted	2,251	2,847	
		150,399	173,518	
Equities				
UK	- Quoted	316,478	312,365	
Index-linked securities				
UK - Public Sector	- Quoted	78,543	89,044	
Overseas - Public Sector	- Quoted	-	14,638	
		78,543	103,682	
Pooled investment vehicles				
Unit Trusts				
Overseas - Equities - managed from outside the UK - Quoted		47,095	58,499	
Unitised Insurance Policies				
UK - Equities - Unquoted		10,044	9,218	
Overseas - Equities - managed from outside the UK - Unquoted *		367,653	437,153	
Global - Multi Asset - managed from within the UK - Unquoted		69,290	78,772	
Other Managed Funds				
O.E.I.C.'s				
Overseas - Fixed interest - managed from outside the UK - Quoted *		65,561	73,436	
Global - Equities - managed from outside the UK - Unquoted *		280,844	311,184	
Limited Liability Partnerships				
UK - Property - managed from within the UK - Unquoted		740	5,874	
Overseas - Fixed interest - managed from outside the UK - Unquoted		1,528	4,607	
		842,755	978,743	
Property Unit Trusts				
UK - managed from within the UK - Quoted		68,988	82,072	
- managed from within the UK - Unquoted		-	2,595	
- managed from outside the UK - Unquoted		14,505	17,160	
Overseas - managed from outside the UK - Unquoted		7,426	11,759	
		90,919	113,586	N10
Derivative Contracts				
Futures - UK		16	27	
Forward foreign exchange contracts		156	560	
		172	587	N17
Other Investments				
Venture Capital/Private Equity - UK		4,934	4,587	N10
Cash (Managers)				
Cash instruments - UK		15,082	4,261	
- Overseas		1,122	1,441	
Cash deposits - UK		704	377	
- Overseas		117	797	
		17,025	6,876	
Other investment balances				
Debtors				
Outstanding settlement of investment transactions		-	1,092	
Accrued dividend income and tax reclaims due on dividend income		4,584	4,347	
		4,584	5,439	
Total Financial Assets		1,505,809	1,699,383	

	2013/14 £'000	2014/15 £'000	
Financial Liabilities			
Derivative Contracts			
Futures - Overseas	-	-73	
Forward foreign exchange contracts	-16	-876	
	-16	-949	
Other investment balances			N17
Creditors			
Outstanding settlement of investment transactions	-1,449	-1,436	
Total Financial Liabilities	-1,465	-2,385	
Long Term Assets			
Contributions due from employer	609	338	
Money due re. transfer of staff to another pension scheme	3,090	2,472	
	3,699	2,810	
Current Assets			N24
Contributions due from employers	3,050	3,076	
Other current assets (debtors)	294	581	
Money due re. transfer of staff to another pension scheme	618	1,236	
Cash balances	7,451	6,413	
	11,413	11,306	N24
Current Liabilities			
Unpaid benefits	-61	-5	
Other liabilities (creditors)	-12,900	-1,975	
Receipts in advance	-	-60	
	-12,961	-2,040	
TOTAL	1,506,495	1,709,074	

* These overseas pooled funds may incorporate some UK assets.

N15. Investment income

Investment income arises from the following investment categories:

	2013/14 £'000	2014/15 £'000
Fixed interest	6,307	6,537
Equities	13,192	11,105
Index-linked	2,050	1,264
Pooled investment vehicles	4,504	4,631
Interest on cash deposits	125	93
Private equity	586	-
Other income from stocklending, underwriting and class actions	22	25
	26,786	23,655
Withholding tax	-1	-41
	*26,785	23,614

*Please see Note 19 - Changes to Comparative Figures

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 section 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093).

	Prudential		Phoenix Life		Total Investments	
	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000
Value of investments at 1 st April	7,390	7,416	138	115	7,528	7,531
Prior year adjustments	-	2	-	-	-	2
Contributions received in year *	664	661	2	0	666	661
Death in service premiums paid by members	-7	-6	-	-	-7	-6
Sales of investments	-957	-946	-25	-21	-982	-967
Changes in value of investments	326	400	-	-	326	400
Present value of investments	7,416	7,527	115	94	7,531	7,621

* Contributions paid by members in the Prudential scheme during 2014/15 totalled £661,109 (2013/14 £664,112) which included additional death in service premiums totalling £6,417 (2013/14 £6,794).

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 and options for duration and yield curve management purposes. Additionally, the investment strategy for this manager, for all overseas currency exposures, is to be fully hedged back in 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 any gains or losses are realised at regular intervals.

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

In the table below, the 'notional value' of the stock purchases under futures contracts is the economic exposure and the value subject to market movements as at 31st March 2015.

Derivative Contract Analysis		Contract type*	2013/14 Notional Value £'000	2014/15 Notional Value £'000	Expiration	2013/14 Market Value £'000	2014/15 Market Value £'000
INVESTMENT ASSETS							
<u>Futures</u>							
UK - Fixed Interest							
UK Long Gilt Future	ET		4,162	2,415	Less than 3 months	16	27
UK Futures			4,162	2,415		16	27
Total Futures			4,162	2,415		16	27
<u>Forward foreign exchange contracts</u>	OTC		16,411	21,631	Less than 6 months	156	560
Total Derivative Assets			20,573	24,046		172	587
INVESTMENT LIABILITIES							
<u>Futures</u>							
Overseas - Fixed Interest							
US Treasury Bond Future	ET		-	3,753	Less than 3 months	-	-73
Overseas Futures			-	3,753		-	-73
Total Futures			-	3,753		-	-73
<u>Forward foreign exchange contracts</u>	OTC		658	32,462	Less than 6 months	-16	-876
Total Derivative Liabilities			658	36,215		-16	-949
Net Futures						156	-362

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

The total Futures' initial margin for 2014/15 was £0.0m (£0.1m 2013/14) and the total variation margin was £0.2m (£0.2m 2013/14). The initial margin is an amount of money deposited by both buyers and sellers of Futures contracts to ensure performance of the terms of the contract. The variation margin reflects the accumulated cash flows from the daily marking to market that accrues in the futures broker's account.

A breakdown of the open forward foreign exchange contracts at 31st March 2015 is given below:-

Open Forward Currency Contracts at 31st March 2015

Settlement	Currency bought	Local Value 000	Currency sold	Local Value 000	Asset Value £000	Liability Value £000
Up to six months	GBP	13,982	EUR	18,642	484	
Up to six months	GBP	2,860	USD	4,195	32	
Up to three months	USD	1,757	BRL	5,559	19	
Up to three months	GBP	1,292	MXN	29,110	8	
Up to six months	GBP	758	AUD	1,466	7	
Up to six months	GBP	413	HKD	4,702	5	
Up to six months	GBP	387	MYR	2,125	3	
Up to six months	GBP	174	CNY	1,589	2	
Up to six months	GBP	599	JPY	106,365	-	
Up to six months	GBP	10,868	USD	16,643	-	346
Up to three months	GBP	7,650	USD	11,750	-	267
Up to six months	GBP	5,478	USD	8,340	-	142
Up to six months	EUR	5,959	GBP	4,416	-	102
Up to three months	GPB	1,190	USD	1,787	-	14
Up to six months	GBP	2,706	EUR	3,738	-	4
Up to six months	GBP	154	NZD	309	-	1
					560	- 876
Net forward currency contracts at 31st March 2015						<u><u>- 316</u></u>

Prior year comparative

Open forward currency contracts at 31st March 2014	156	-	16
Net forward currency contracts at 31st March 2014			<u><u>140</u></u>

N18. Investments exceeding 5% of Total Net Assets or that exceed 5% of their Asset Class

At 31st March 2015 the Pension Fund held two, (2013/14, two) investments that each exceeded 5% of the total value of the net assets of the scheme. These are detailed as follows:

<u>Investments exceeding 5% of Total Net Assets</u>	2013/14 £'000	2013/14 %	2014/15 £'000	2014/15 %
* BlackRock Global Equity Fund	367,653	24.4	437,153	25.6
* GMO World Equity Allocation Investment Fund	280,844	18.6	311,184	18.2
	648,497	43.0	748,337	43.8

BlackRock investments are Unitised Insurance Policies

GMO Investment Fund is an O.E.I.C. investing in global equities

** Indicates assets which are in excess of 5% of both net assets and their asset class for 2014/15*

<u>Investments exceeding 5% of their Asset Class</u>	2013/14 £'000	2013/14 %	2014/15 £'000	2014/15 %
Fixed interest securities				
Treasury 4.25% 2040	19,247	12.8	21,942	12.6
Treasury 3.75% 2021	13,714	9.1	14,479	8.3
Treasury 4.25% 2039	8,864	5.9	9,725	5.6
Treasury 1.25% 2018 **	11,366	7.6	-	-
Equities				
Royal Dutch Shell 'B' Shares	19,788	6.3	18,476	5.9
HSBC Holdings	18,933	6.0	18,174	5.8
Index-linked securities				
United Kingdom IL 1.875% 2022	14,393	18.3	14,932	14.4
United Kingdom IL 1.25% 2027	12,359	15.7	13,681	13.2
Treasury IL Variable Rate 2035	11,302	14.4	13,109	12.6
United Kingdom IL 1.125% 2037	9,052	11.5	10,873	10.5
US Treasury IL 1.375% 2044	-	-	9,132	8.8
Treasury IL 1.25% 2055	6,992	8.9	9,390	9.1
United Kingdom IL 1.25% 2032	7,211	9.2	8,339	8.0
United Kingdom IL 0.375% 2062	7,277	9.3	5,831	5.6
Treasury IL 0.75% 2047	4,017	5.1	5,202	5.0
Pooled investment vehicles				
* Blackrock Global Equity Fund	367,653	43.6	437,153	44.7
* GMO World Equity Allocation Investment Fund	280,844	33.3	311,184	31.8
Standard Life Global Absolute Return Strategies Fund	69,290	8.2	78,772	8.0
Legg Mason Global Funds - WA GMS	64,647	7.7	72,587	7.4
Blackrock Emerging Markets Index Fund	47,095	5.6	58,499	6.0
Property unit trusts				
Hermes Property Unit Trust	68,988	75.9	82,072	72.3
Global Alpha Fund	5,136	5.6	8,671	7.6
Derivative contracts - assets				
UK Long Gilt Future (LIF) Exp Jun 14	16	100.0	-	-
UK Long Gilt Future (LIF) Exp Jun 15	-	-	27	100.0
Derivatives contracts- Liabilities				
US Treasury Bond Future (CBT) Exp Jun 15	-	-	-73	100.0
Other investments - Venture Capital/Private Equity				
South West Venture Fund	2,931	59.4	2,833	61.8
Chandos Fund	2,003	40.6	1,754	38.2

** Investment held is now below 5% of asset class

N19. Changes to comparative figures

Management expenses (Notes 1 and 22)

Pension Fund expenses have been accounted for in accordance with the *CIPFA guidance Accounting for Local Government Pension Scheme Management Costs*. This has resulted in Administrative Expenses and Investment Management Expenses being amalgamated under Management Expenses and the comparator figures for 2013/14 being restated to reflect the amalgamation.

Transaction costs previously included within the purchase cost/proceeds of investment purchases and sales have now been added to Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments. Fees previously deducted at source and offset against dividend income are now offset against Profit on Disposal of Investments.

A more detailed breakdown of management expenses can be found in Note N22

Fund Account	2013/14	2013/14 re-stated	Difference
	£'000	£'000	£'000
Administrative expenses	1,256	-	-1,256
Investment management expenses	5,638	-	-5,638
Management expenses	-	7,390	7,390
Investment income	-29,005	-26,786	2,219
Profit and losses on disposal of investments and changes in market value of investments	-91,172	-93,887	-2,715
			-
			-
Investment Movement Summary (Note 4)			
Cash movement, currency adjustments and other end of year settlements	-471	2,244	2,715
			-
Investment Income (Note 15)			
Pooled investment vehicles	6,723	4,504	-2,219
			-

Nature and extent of risks arising from Financial Instruments (Note 27)

Other Price Risk - Sensitivity Analysis

Pooled Funds containing global equities were previously classified under Overseas Equities. As these funds may incorporate some UK assets they have been re-classified as Multi National Equities.

The 2014/15 Values on Increase and Decrease have been valued on a 3 year standard deviation and the 2013/14 values have been re-stated to ensure a direct comparison. Both the re-stated figures and the original figures for 2013/14 are shown in Note 27.

N20. Contributions breakdown	2013/14	2014/15
	£'000	£'000
From Employers:		
Normal	38,166	41,158
Augmentation	-	-
Deficit Funding	27,700	32,228
Other	2,943	2,727
	68,809	76,113
From Members:		
Normal	15,774	16,379
Additional Voluntary	312	374
	16,086	16,753

The employers' monthly contributions and deficit funding payments are based on a percentage of pensionable pay and 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.

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

These payments follow the principles outlined in the Funding Strategy Statement. Early retirement costs are usually paid in one lump sum or were historically paid over several years dependent on the status of the employer. When a payment is spread there is an extra cost to reflect the delay in total payment. There are currently no early retirement costs being spread; however at 31st March 2015 £0.1m (2013/14 £0.2m) was due to the Pension Fund for early retirements, which have been accrued.

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

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

N21. Custody of investments

The accounts for the year ended 31st March 2015 use the valuations for the Fund's assets provided by our custodian, BNY Mellon Asset Servicing SA/NV. 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 BNY Mellon Asset Servicing SA/NV on behalf of the Pension Fund, are ring-fenced from the assets of the Bank and segregated within its books as belonging to Gloucestershire County Council's 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*. This has resulted in Administrative Expenses and Investment Management Expenses being amalgamated under Management Expenses.

Transaction costs of £350,127 (£345,271 2013/14) previously included within the purchase cost/proceeds of investment purchases and sales have now been added to Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments.

A third category of expense, Oversight & Governance, has also been added.

Comparator figures for 2013/14 have been re-stated to reflect the amalgamation and the addition of the third category and the re-categorisation of some of the expenses.

<u>Management expenses</u>	2013/14 re-stated	2014/15
	£'000	£'000
Investment management expenses *	6,074	5,753
Administration expenses	858	933
Oversight & governance	458	407
Please see note N19	7,390	7,093

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

Within oversight and governance costs there were actuarial expenses of £134,997 (£197,343 2013/14) 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.

	2013/14 re-stated	2014/15
	£'000	£'000
Investment management expenses*		
Management fees - invoiced	2,598	2,865
- deducted from investment	1,154	1,868
	3,752	4,733
Performance fee - invoiced	1,563	244
- deducted from investment	352	354
	1,915	598
	5,667	5,331
Transaction costs	345	350
Custody costs	62	72
	6,074	5,753

The management fees disclosed above 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.

The change in management fees is due to a combination of an increase in market values on which most of the Fund Managers' fees are based and a reduction in performance fees. In 14/15 the fee basis of one manager was changed from a combination of a percentage of assets under management and an outperformance element to purely a percentage of assets under management.

N23. Cash

From the 1st April 2010 the Pension Fund has had its own bank account. At 31st March 2015 cash of £6.4m (£7.5m 2013/14) was invested through the County Council's short-term investment procedures. During the year the average investment balance was £4.4m (£10.3m 2013/14) earning interest of £20k (£57k 2013/14).

N24. Current & long term assets

	2013/14 £'000	2014/15 £'000
Contributions due - Employees	551	572
Contributions due - Employers	2,499	2,504
Sundry debtors	294	581
Money due re. transfer of staff to another pension scheme *	618	1,236
	3,962	4,893
Cash balances	7,451	6,413
	11,413	11,306

*The annual instalment of £618k due from a transfer of staff to another pension scheme in 2014/15 was not received in 2014/15. Therefore an accrual has been included for the 2014/15 and 2015/16 instalments within Current Assets. Instalments due beyond 2015/16 have been included under Long Term Assets. The instalment relating to 2014/15 has now been received.

Analysis of debtors	2013/14 £'000	2014/15 £'000
Current assets		
Central government bodies	628	1,311
Other local authorities	1,381	1,399
NHS bodies	15	16
Public corporations and trading funds	-	
Academies	402	405
Other entities and individuals	1,536	1,762
	3,962	4,893

	2013/14 £'000	2014/15 £'000
Long term assets		
Central government bodies	3,090	2,472
Other entities and individuals	609	338
	3,699	2,810

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. Payments of £1,236,000 are due to the Pension Fund within the next twelve months.

It had been agreed that two employers who left the Fund could spread the payment of their deficits over a number of years. The total amount was credited to the Pension Fund and accruals made for the outstanding amount. Accruals are rolled forward each year and adjusted for deficit payments made. One employer has now paid its deficit in full. Payments of £26,000 are due to the Pension Fund within the next twelve months.

N25. Current liabilities

	2013/14 £'000	2014/15 £'000
Benefits payable	-61	-5
Sundry creditors	-12,900	-1,975
Receipts in advance	-	-60
	-12,961	-2,040

	2013/14 £'000	2014/15 £'000
Analysis of creditors		
Central government bodies	-589	-690
Other local authorities	-9,368	-178
Academies	-	0
Other entities and individuals	-3,004	-1,172
	-12,961	-2,040

Sundry Creditors in 2013/14 contained an accrual of £9.2m relating to a bulk transfer value due to another pension fund; £9.5m was subsequently paid in June 2014.

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 2013.

Balance Sheet:

Year Ended	31 st March 2014 £m	31 st March 2015 £m
Present Value of Promised Retirement Benefits	2,304	2,748

Net Assets Available for Benefits

Year Ended	31 st March 2014 £m	31 st March 2015 £m
Net assets	1,506	1,709

The assumptions used are those adopted for the Administering Authorities IAS19 report, as required by the Code of Practice, and these differ from those used for the triennial valuation. It is estimated that the impact of the change of assumptions to 31st March 2015 is to increase the actuarial present value by £364m (£94m 2013/14).

Significant Actuarial Assumptions Used

Financial assumption:

Year Ended	31 st March 2014 % pa	31 st March 2015 % pa
Inflation/Pension Increase Rate	2.8	2.4
Salary Increase Rate	4.1	3.8
Discount Rate	4.3	3.2

Longevity assumption:

The life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2010 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.

	Males	Females
	Years	
Current Pensioners	22.5	24.6
Future Pensioners **	24.4	27.0

** Future pensioners are assumed to be currently aged 45.

Commutation assumption:

An allowance is included for future retirements to elect to take 50% of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax free cash for post-April 2008 service.

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 BNY Mellon Asset Servicing, who acts 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 2015. 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 2015 by the amounts shown below:

As at 31st March 2015	Value	Volatility of return	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Bonds	170,671	6.8	182,277	159,066
UK Index Linked Gilts	89,045	10.4	98,305	79,784
UK Equities	321,583	10.7	355,992	287,174
Overseas Bonds	95,528	5.1	100,400	90,656
Multi National Equities*	885,608	9.0	965,313	805,903
UK Property	107,701	2.7	110,609	104,793
Overseas Property	11,759	14.7	13,488	10,030
Venture Capital/Private Equity	4,587	14.3	5,243	3,931
	1,686,482		1,831,627	1,541,337
Total Gloucestershire Fund	1,686,482	6.5%	1,796,103	1,576,861

As at 31st March 2014 - re-stated	Value	Volatility of return	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Bonds	150,399	6.0	159,423	141,375
UK Index Linked Gilts	78,543	10.0	86,397	70,689
UK Equities	326,521	13.7	371,254	281,788
Overseas Bonds	67,090	5.7	70,914	63,266
Multi National Equities*	764,882	11.3	851,314	678,450
UK Property	84,233	2.7	86,507	81,959
Overseas Property**	7,425	8.9	8,086	6,764
Venture Capital/Private Equity	4,935	14.1	5,631	4,239
	1,484,028		1,639,526	1,328,530
Total Gloucestershire Fund	1,484,028	8.1	1,604,235	1,363,822

* Previously classified as Overseas Equities

** Unable to use 3 year standard deviation therefore standard deviation used to cover period

*** Please see Note 19 - Changes to Comparative Figures

As at 31st March 2014 - original	Value	Volatility of return	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Bonds	150,399	6.9	160,777	140,022
UK Index Linked Gilts	78,543	9.3	85,822	71,263
UK Equities	326,521	15.3	376,495	276,547
Overseas Bonds	67,090	17.8	79,052	55,127
Overseas Equities	764,882	19.4	912,955	616,808
UK Property	84,233	3.5	87,166	81,301
Overseas Property	7,425	8.9	8,087	6,765
Venture Capital/Private Equity	4,935	13.1	5,579	4,290
	1,484,028		1,715,933	1,252,123
Total Gloucestershire Fund	1,484,028	8.1	1,604,235	1,363,822

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 2015 is set out below along with the interest rate sensitivity analysis data.

Interest Rate Risk Sensitivity Analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Over the last five years long term yields, as measured by the yield on the FTSE Over 15 Year Gilt Index, have averaged 3.4% (2013/14 3.7%) and moved between a high of 4.6 (4.5% 2013/14) and a low of 2% (2.8% 2013/14). As at the end of March 2015 this yield was 2.2% (3.4% 2013/14). 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.

Asset type	Carrying amount as at 31 March 2015	Change in the year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£'000	£'000	£'000
Bond Portfolio - Fixed Interest Securities excluding cash	355,601	-46,138	46,138

Asset type	Carrying amount as at 31 March 2014	Change in the year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£'000	£'000	£'000
Bond Portfolio - Fixed Interest Securities excluding cash	294,926	-35,041	35,041

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. Apart from permitting the fixed income portfolio manager and global property manager to hedge currency exposures back to Sterling, the Fund's current policy is to not hedge foreign currency exposure.

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 5.6% (as measured by one standard deviation).

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

A 5.6% 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:

2014/15 Currency exposure - Asset type	Asset value		Change to net assets available to pay benefits
	as at	31st March	
	2015	£'000	
Global Fixed Interest	2,283	2,411	+5.6% 2,155
UK Equities	739	780	698
Global Equities	721,333	761,728	680,938
Emerging Market Equities	58,499	61,775	55,223
Global Multi Asset	78,772	83,183	74,361
	861,626	909,877	813,375

2013/14 Currency exposure - Asset type	Asset value		Change to net assets available to pay benefits
	as at	31st March	
	2014	£'000	
Global Fixed Interest	1,133	1,193	+5.3% 1,073
UK Equities	725	763	687
Global Equities	623,502	656,548	590,456
Emerging Market Equities	47,095	49,591	44,599
Global Multi Asset	69,290	72,962	65,618
	741,745	781,057	702,433

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 and baskets of liquid equities. 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 2015 is set out below.

Credit Analysis

31 st March 2015	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000
UK Gilts	63,475	-	-	-	-	-	-
UK Index Linked	89,296	-	-	-	-	-	-
Overseas Govt Bonds	12,229	-	-	-	-	-	-
Overseas Inflation-linked	13,548	-	-	-	-	-	-
Corporate Bonds	-	3,419	36,006	24,390	9,076	-	1,815
Asset Backed	1,779	1,448	6,186	12,748	-	-	-
Emerging Markets	-	-	1,797	2,237	-	-	-
Mortgages	1,105	-	-	-	-	-	-
Supra/Sov/Local Govts	4,669	-	-	-	-	-	-
Cash/Cash Equivalents/Currency Forwards	-	-	-	-	-	-	2,182
	186,101	4,867	43,989	39,375	9,076	-	3,997
% of Fixed Interest Portfolio	64.8%	1.7%	15.3%	13.6%	3.2%	-	1.4%

31 st March 2014	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000
UK Gilts	59,499	-	-	-	-	-	-
UK Index Linked	78,890	-	-	-	-	-	-
Overseas Govt Bonds	6,081	-	-	-	-	-	-
Overseas Inflation-linked	-	-	-	-	-	-	-
Corporate Bonds	-	3,165	25,770	86,249	4,948	2,001	1,033
Asset Backed	1,538	2,296	5,712	11,373	-	-	-
Emerging Markets	-	-	-	-	-	-	-
Mortgages	1,015	-	-	-	-	-	-
Supra/Sov/Local Govts	4,502	-	-	851	-	-	-
Cash/Cash Equivalents/Currency Forwards	3,715	-	-	-	-	-	8,841
	155,240	5,461	31,482	98,473	4,948	2,001	9,874
% of Fixed Interest Portfolio	50.5%	1.8%	10.2%	32.0%	1.6%	0.7%	3.2%

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 2015 is shown below:

	Balances as at 31st March 2014	Balances as at 31st March 2015		
Account Name	Rating*	£'000	Rating*	£'000
Ignis Liquidity Fund	AAAmmf	2,427	AAAmmf	3,837
Federated Prime Rate Liquidity Fund	AAAmmf	-	AAAmmf	2,019
** HSBC Instant Access	A1/AA-	20	A-1+/AA-	531
HSBC Current Account	A1/AA-	4	A-1+/AA-	25
Svenska Handelsbanken	A1/AA-	5,000	A-1+/AA-	-
Total		7,451		6,412

* Ratings quoted are all Standard and Poors as at 31st March 2015 and 2014 with the exception of Federated Prime, which is Fitch rated as at 31st March 2015

** Renamed

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.

All financial liabilities are due within one year.

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.

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. 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
- Level 2 – Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Unobservable inputs for the asset or liability used to measure fair value that rely on the reporting entity's own assumptions concerning the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk

The following sets out the Fund's investment assets (by class) measured at fair value according to the fair value hierarchy, as held by the Fund's custodian, at 31st March 2015

2014/15 Type of Asset	Level 1 £'000	Level 2 £'000	Level 3 £'000
UK Equities	312,365	-	-
Global Equities	309,628	1,556	-
Emerging Market Equities	58,499	-	-
Fixed Interest	156,993	-	-
Index Linked Securities	89,045	-	-
Overseas Fixed Interest	89,916	4,607	-
Overseas Indexed Linked	14,638	-	-
Unitised Insurance Policy	446,370	78,772	-
Property	-	101,494	17,966
Private Equity	-	-	4,587
Cash & Cash Equivalents	5,702	-	-
TOTAL	1,483,156	186,429	22,553

2013/14 Type of Asset	Level 1 £'000	Level 2 £'000	Level 3 £'000
UK Equities	316,478	-	-
Global Equities	280,844	-	-
Emerging Market Equities	47,095	-	-
Fixed Interest	141,368	-	-
Index Linked Securities	78,543	-	-
Overseas Fixed Interest	74,609	1,528	-
Overseas Indexed Linked	-	-	-
Unitised Insurance Policy	446,986	-	-
Property	-	79,316	12,343
Private Equity	-	-	4,935
Cash & Cash Equivalents	17,200	-	-
TOTAL	1,403,123	80,844	17,278

N28. Transfers in and out of the Pension Fund

Transfers in from other pension funds

During 2014/15 an employer transferred its employees in from another Local Government Pension Scheme. The Pension Fund received a bulk transfer value of £2.56m to cover these liabilities.

Transfers to other pension funds

The Pension Fund received notification from the Government that all Probation Trusts across the country would be transferring their pension assets and liabilities into the Greater Manchester Pension Fund (GMPF). This involved transferring the Gloucestershire Probation Trusts' records, pensioners and members to GMPF together with the Probation Trust's share of the Pension Fund assets. At the time of the last Annual Report this figure was estimated to be approximately £25m. When the transfer of assets was completed the actual amount calculated by the Actuaries was £28.7m and this was paid in November 2014.

N29. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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.

The Pension Fund has yet to adopt International Financial Reporting Standard (IFRS) 13 Fair Value Measurement (May 2011). IFRS 13 defines fair value and sets out in a single IFRS a framework for measuring fair value. It also identifies the disclosure requirement for items measured at fair value. Although this new standard was originally issued in May 2011, and applied to accounting periods beginning on or after 1st January 2013, its adoption was deferred by the CIPFA/LASSAC Local Authority Accounting Code Board until the 2015/16 Code.

It is anticipated that this Standard will not have a material impact on our accounts when it is applied prospectively from 1st April 2015.

N30. Events after the reporting date

Preliminary figures received from the Custodian indicated that at the end of August 2015 the value of the Pension Fund's investments had fallen by approximately 9% on year end values. However investments are valued at fair value and the benefit only realised upon sale and therefore any change is considered a non-adjusting event.

Fire Pensions Accounts

Fund Account for the year ended 31st March 2015

2013/14 £000		FPS £000	NFPS £000	Total £000
	Contributions Receivable			
-1,639	Fire Authority			
	contributions in relation to pensionable pay	-1,376	-240	-1,616
	early retirements	-	-	-
	other: Ill health retirement	-	-	-
-3	Firefighters' contributions			
	normal	-949	-228	-1,177
	other: Added Years	-9	0	-9
-1,075				
-8				
	Transfers in			
	transfers in from other schemes	-	-	-
4,266	Benefits Payable			
463	pensions	4,500	11	4,512
	commutations & lump sum retirement benefits	757	2	759
	lump sum death benefits	-	-	-
-				
	Payments to and on account of leavers			
	refunds of contributions	-	-	-
2	transfers out to other schemes	-	-	-
2,005	Net amount payable for the year			
		2,924	-455	2,469
-2,005	Top-up grant receivable / payable to central government	-2,924	455	-2,469
		-	-	-
	Net Assets Statement for the year ended 31st March 2015			
		FPS £000	NFPS £000	Total £000
	Net current assets and liabilities			
	Current Assets			
416	contributions due from employer	-	-	-
	pension top-up grant receivable from central government	-468	-	-468
	recoverable overpayments of pensions	-	-	-
	Current Liabilities			
	unpaid pension benefits	-	-	-
	amount payable to central government	468	-	468
-416	other current liabilities	-	-	-
	amount owing to general fund	-	-	-
		-	-	-

Notes

The Firefighters pension fund is administered by the County Council. It was established for authorities in England under the Firefighters' Pension Scheme (amendment) (England) Order 2006, and is split into two schemes 'Firefighter Pension Scheme' (FPS) which is for whole-time firefighters who were employed before 5th April 2006 and have not transferred to the new scheme and the 'New Firefighters Pension Scheme' (NFPS) for all whole-time firefighters who have joined since 6th April 2006, those that have transferred from the old scheme and all Retained Firefighters. It is an unfunded scheme which is "contracted out" of the state scheme and is termed a defined benefit (or final salary) scheme. The funding arrangements for this scheme changed on the 1st April 2006. The fund is financed by contributions paid in by existing firefighters and the Fire Service with any balance receivable from or payable to the Department for Communities and Local Government (DCLG), therefore there are no investment assets belonging to the fund.

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.

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.

The fund has been prepared to meet the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. 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.

The liability under IAS 19 is disclosed in note 32 of the Notes to the Accounts

In May 2015 a determination was made by the pensions ombudsman requiring an amendment to the basis on which commutation lump sum payments were made to retiring firefighters between 2001 and 2006. This determination will result in additional payments being required to these individuals in 2015-16. A full review of existing records will be undertaken to identify those firefighters who retired during this period and lump sum payments will be re-calculated, with revised payments made during 2015-16. It is not currently possible to quantify the full impact of this determination and be able to provide a reliable estimate. It is anticipated that all costs associated with this amendment will be payable by the pension fund and not rest with the Council.

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, and that 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
TOIL	Time Off in Lieu
TPA	Teachers' Pensions Agency
VRP	Voluntary Revenue Provision
WG	Welsh Government

PERFORMANCE ENVIRONMENT RISK LEADERSHIP INFORMATION ASSURANCE PUBLIC COMMUNICATION FINANCIAL MANAGEMENT

ACCOUNTABILITY ALTERNATIVE DELIVERY MODELS

RESPONSIBILITY PARTNERSHIPS CULTURE SKILLS

Annual Governance Statement

TRANSPARENCY OF DECISION MAKING

2014-2015

1. Scope of Responsibility

Gloucestershire County Council (GCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The responsibility for leading and directing the annual reviews of the effectiveness of the Council's governance arrangements and providing ongoing oversight and robust challenge, is the Council's Statutory Officers, comprising, the Chief Executive, Chief Financial Officer (S151) and the Monitoring Officer and when completed, the findings are reported to the Audit and Governance Committee.

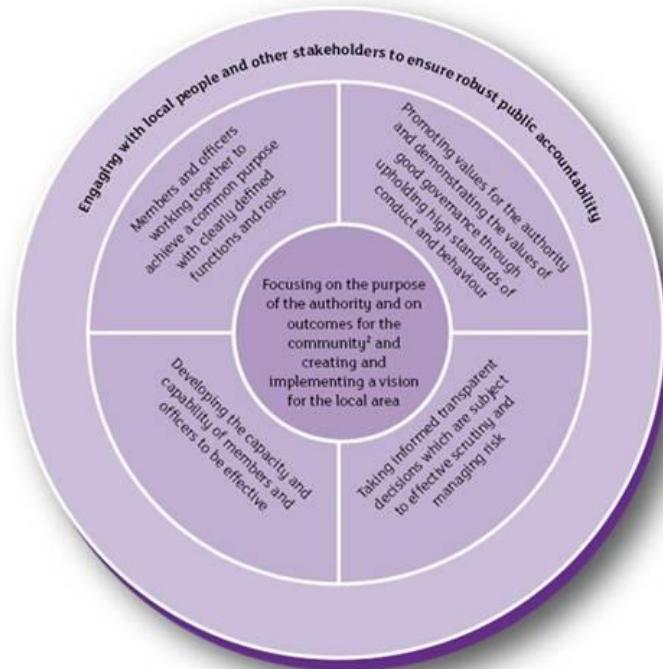
What is Governance?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Strong transparent and responsive corporate governance is a key feature of any democratic body whose main function is community development and representation.

GCC operates through a governance framework that has been summarised within a revised Local Code of Corporate Governance 2014/2015, which is consistent with the six core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework; Delivering Good Governance in Local Government 2007 (Addendum 2012) and comprises the Council's systems and processes, culture and values for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community.

2. Gloucestershire County Council's Governance Framework

The six core principles (underpinned by a number of supporting principles) are summarised below:



Core Principle 1: Gloucestershire County Council aims to focus on its purpose and on outcomes for the community, creating and implementing a vision for the local area with partners.

Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Core Principle 3: Promoting values for the authority, and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Core Principle 4: Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk.

Core Principle 5: Developing the capacity and capability of members and officers to be effective.

Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

Local Code of Corporate Governance (LCCG) 2014/2015

The Council's Code of Corporate Governance is a public statement of the Council's commitment to these principles and specifically identifies the key actions taken by GCC in relation to each of the core and supporting principles. The Code is reviewed and updated annually and the 2014/2015 Code is attached at **Appendix 1**.

Annual Governance Statement 2014/2015

The Council is also required by the Accounts & Audit Regulations 2015 to publish an Annual Governance Statement (AGS), in order to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year. In order for the Council to continue to improve our governance framework and learn from our peers, full consideration has also been given to the key issues highlighted within Grant Thornton's publications, Local Government Governance Review 2014 – Working in Tandem and Local Government Governance review 2015: All Aboard.

3. What is the purpose of a Governance Framework?

The governance framework enables the Council to monitor the achievement of its strategic objectives, and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of that framework (i.e. the policies, processes, tasks, behaviours, performance and other aspects of the organisation) that ensures:

- business is conducted in accordance with the laws, regulations, internal policies and proper standards;
- significant risks are appropriately managed;
- assets are safeguarded from inappropriate use, or from loss and fraud;
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively;
- human, financial, environmental and other resources are managed efficiently and effectively;

- records and information are properly maintained;
- effective arrangements are in place for timely, relevant and reliable internal and external reporting; and
- the Council's values and ethical standards are met.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims, objectives and outcomes, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

Please note however, that any system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Council's Governance Framework, which underpins the Annual Governance Statement, has been in place at the Council for the year ended 31st March 2015 and up to the date of approval of the Annual Governance Statement and Statement of Accounts and is summarised at Appendix 2.

Key Corporate Governance Strategies/Systems and Processes

The Council's Local Code of Corporate Governance evidences the Council's commitment and actions taken to ensure good governance. However the key corporate strategies, systems and processes that contribute to effective governance arrangements and underpin the core principles, are summarised below :-

- The Council's Constitution March 2015** (describes the individuals and groups that make up the County Council (that is, its "composition") and the principal rules and procedures that govern the way it operates, including clearly defined decision making processes. <http://www.goucestershire.gov.uk/constitution>

- The Council Strategy 2015-2018** defines the Council's key priorities and plans, following full consultation with the communities of Gloucestershire.
<http://www.goucestershire.gov.uk/CHttpHandler.ashx?id=42252&p=0>
- Medium Term Financial Strategy 2015/16 to 2017/18** (describes the Council's financial strategy and detailed budget to meet the priorities of the Council's Strategy).
<http://www.goucestershire.gov.uk/search?q=Budget+and+Medium+Term+Financial+Strategy>
- Anti Fraud and Corruption Policy Statement and Strategy 2014/2015** (defines the Council's response to fraud and irregularity).
<http://www.goucestershire.gov.uk/extra/CHttpHandler.ashx?id=59424&p=0>
- Performance and Spending Framework** (defines the Council's corporate performance management arrangements, including audits, inspections and assessments).
<http://www.goucestershire.gov.uk/article/104745/Performance--spending>
- Risk Management Policy Statement and Strategy 2015-2016** (defines how risk is managed within the Council and our partners).
<http://www.goucestershire.gov.uk/article/105641/Code-of-Corporate-Governance>
- Information Management and security Policies** (defines how the Council's information is managed and secured).
<http://www.goucestershire.gov.uk/extra/information-management-policies>
- Code of Conduct for Members and Co-opted Members of GCC** (defines the expected standard of conduct by Members).
<http://www.goucestershire.gov.uk/search?q=members&go=Go>
- Members training programmes and briefings** (to support continued Member development). <http://www.goucestershire.gov.uk/search?q=members&go=Go>
- Employee Code of Conduct** (defines the expected standard of conduct by employees).
- Officers' development programmes** (to support continued officer development).

- **Customer Complaints Policy 2013 and Customer Care Standards** enables the Council to act quickly and efficiently to put things right if something goes wrong; and to learn from customer complaints in order to improve our services and focus on the needs of our customers.
<http://www.goucestershire.gov.uk/search?q=complaints+policy&go=Go>
- **External Audit arrangements.** Grant Thornton (external audit) provide (a) an independent opinion on the financial statements and (b) a value for money conclusion focusing on financial resilience and the three 'E's i.e. Economy, Efficiency and Effectiveness.
- **Internal Audit arrangements.** Internal Audit provide independent, objective assurance that the key risks to the achievement of objectives/priorities are adequately managed and that Anti-Fraud and Corruption arrangements are in place to ensure financial probity.

4. Process for the review of the effectiveness of GCC's 2014/2015 Governance Framework

The review of effectiveness is informed by:

- The work of senior officers of the Council who have responsibility for good governance;
- The Chief Internal Auditor's annual report on Internal Audit Activity 2014/2015, which provides the independent assurance that key risks (financial and non-financial) are being adequately controlled and provides an opinion on the effectiveness of these arrangements;
- The annual report on Risk Management Activity 2014/2015;
- Any comments made by the Council's External Auditors; and
- Any other review agencies and inspectorates.

In undertaking the 2014/2015 review GCC has:-

- Set out within the Council's Local Code of Corporate Governance, the key policies, strategies, documents and processes which incorporate its governance system;
- Sought independent assurances from external assessments where available;
- Significantly strengthened the assurance gathering process, which has been led by the Council's Statutory Officers, (full details are provided below). These statements cover all areas of the business, to confirm that adequate governance arrangements are in place in relation to:
 - Policy and decision making;
 - Service delivery;
 - Multi Agency / Joint Working / Contractual / Partnerships with other Public / Private Sector Bodies, Voluntary and Community Organisations;
 - Risk management and internal control;
 - Performance management;
 - Financial management;
 - Adherence to laws, regulations, rules and procedures;
 - Human resources issues;
 - Management of natural resources and Maximising Social Value;
 - Asset management; and
 - Information governance.
- If less than adequate assurance has been received back from any Director in relation to a key issue, this is reported later within this Annual Governance Statement;
- Reviewing, via the Audit and Governance Committee, progress on the implementation of key audit recommendations made in relation to all internal audits where an 'Limited Assurance' audit opinion was issued during the year;
- Reviewing the effectiveness of the Audit and Governance Committee;

- Reviewing the effectiveness of Internal Audit;
- Reviewing the effectiveness of a sample of the key corporate governance processes highlighted; and
- Reviewing the risk, control and governance arrangements relating to the Pensions Fund.

Strengthened Governance Assurance Framework

Assurance provides confidence, based on sufficient evidence, that controls are in place and are operating effectively and that objectives are being achieved. An Assurance Framework is a structure within which Members and Senior Management identify the principal risks to the Council meeting its principal objectives, and through which they map out both the key controls to manage them and how they have gained sufficient assurance about the effectiveness of those controls. The assurance framework underpins the statements made within the Annual Governance Statement.

During 2013/2014, a significantly strengthened governance assurance process was implemented to provide a framework for the annual assessment of the effectiveness of the governance arrangements operating within the Council. This includes a Lead Cabinet Member overview and oversight and robust challenge by the Council's Statutory Officers i.e. the Chief Executive, Monitoring Officer and Chief Financial Officer.

Further enhancements were made during 2014/2015, which introduced 'the three lines of defence risk assurance model' which helps Members and Senior Management to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance.

The 'Three Lines of Defence' in effective Risk Management and Control

Assurance can come from many sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance.

By defining these sources into three categories i.e. the First Line (functions that own and manage risks e.g. management and supervisory controls) the Second Line (functions that oversee risks e.g., Governance structures & processes (e.g. Audit and Governance Committee, Scrutiny) and the Third Line (functions that provide independent assurance on the management of risks e.g. OFSTED, Internal/External audit), helps understand how each contributes to the overall level of assurance and how best they can be integrated and supported.

Increased focus on the roles and responsibilities of Members and Senior Management has prompted many organisations to place a greater emphasis on assurance activities. This information will be collated in order to develop a Council wide assurance map.

Members/Directors/Heads of Service Assurance Process 2014/2015

Self-Assessment Checklist

Every Director/Head of Service is responsible for delivering the objectives set out in their service plan. Directors/Heads of Service are responsible for identifying and managing the risks that may affect delivery of their service objectives. This work includes monitoring the effectiveness of controls put in place to mitigate the risks and carrying out remedial action where controls are weak or not in place.

Every Director, and nominated Head of Service is required to assist the preparation of the AGS for the Council by providing an assurance statement for the internal control framework operating within their service(s). An assurance checklist is initially completed and signed off by each nominated Head of Service following their self assessment, identifying any areas of positive governance initiatives and/or significant control issues, the actions taken to address them and the timescales for completion. The statements are then submitted to their relevant Director(s), to provide them with assurance that appropriate governance arrangements are in place within all parts of their areas of business.

To enable the Council to provide reliable evidence to underpin the assessment of risk and control, each section within the assurance statements / self assessment checklist, now provides Management with the opportunity to summarise the key types of assurance they receive and the level of reliance they place on that assurance.

Directors Review

If, having considered the checklists submitted by the Heads of Service, the Director(s) are satisfied that appropriate arrangements are in place in each area, or that any weaknesses identified have a timescale for improvement, they will be able to countersign the statement.

The remedial actions are monitored by the Directors/Heads of Service to ensure all actions are completed within the specified timescales.

Lead Cabinet Member Overview

In addition to obtaining management assurances, Lead Cabinet Members assurances are also fundamental within the framework. To enable these to be gained, each Director and relevant Lead Cabinet Member has discussed the key positive initiatives and/or significant control and governance issues recorded within the assurance statement, at their portfolio holder meetings. Based on these discussions, their own knowledge and understanding and overview of the information recorded/evidence provided, the Lead Cabinet Member has been able to provide the relevant assurances to the Leader.

Leader/Chief Executive

When the Directors/Lead Cabinet Members are confident that there are robust governance arrangements in place within their areas of responsibility, or whether any further improvement actions are needed, the signed assurance statements are provided to the Chief Executive, highlighting any improvement areas for final sign off. This is designed to provide final assurance to the Leader and the Chief Executive that there are appropriate arrangements in place within all areas under the control of each Director for the proper governance of Council business.

The Leader and Chief Executive of the Council have a responsibility to ensure that the document is supported by an embedded assurance framework, reliable evidence and accurately reflects the Council's governance framework.

Chief Executive, Chief Financial Officer, Monitoring Officer

To enable the above, the Council's Chief Executive, Chief Financial Officer and Monitoring Officer, led on the annual governance review and provided oversight and robust challenge to the enhanced process and the resulting AGS, to enable them to be assured that any governance issues identified are being addressed and to ensure that the Council's AGS accurately reflects the current governance arrangements operating within the Council.

5. Progress on 2013/2014 issues identified

Please refer to **Appendix 3** attached, which provides the progress on the actions taken to address the issues identified, as part of the 2013/2014 governance review. Where actions have been partially completed or deferred, they have been included within the 2014/2015 improvement plan at **Appendix 4**.

6. Key findings identified during the 2014/2015 review, including positive initiatives and improvement areas

Whilst a full assessment of the Council's governance arrangements can be found within the Council's Local Code of Corporate Governance (**Appendix 1**), a summary of the main findings of this years review, within Gloucestershire County Council and Gloucestershire Pension Fund, which was co-ordinated by the Chief Internal Auditor, prior to being scrutinised and challenged by the Chief Executive, Chief Financial Officer and the Monitoring Officer and approved by the Corporate Management Team, are set out below:

6.1 The Role of the Chief Financial Officer (CFO)

In accordance with the recommendations on proper practices on the form and content of the Annual Governance Statement for 2014/15, this statement includes the following disclosure about the status of the Chief Financial Officer (the Section 151 Officer), the Strategic Finance Director, in accordance with CIPFA's statement on the role of the Chief Financial Officer (CFO) in Local Government.

The assessment considers the five key principles laid down by CIPFA, as set out below, together with the supporting advice on governance requirements and core CFO responsibilities provided by CIPFA.

CIPFA : Key Principles on the Role of the CFO

Principle 1: The CFO in a public service organisation is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.

Within the Council the CFO is a full member of the Corporate Management Team, reports directly to the Chief Executive of the Council, and attends all joint meetings between the Cabinet and Corporate Management Team, and all meetings of Cabinet. The CFO adheres to all of the advice set out by CIPFA and particularly:

- Brings influence on all key business decisions;
- Has full access to all senior officers and Councillors, the Audit and Governance Committee and External Audit;
- Leads on the development of Corporate Governance arrangements, including the risk management and reporting framework; and
- Leads on the development of the Medium Term Financial Strategy (MTFS), annual budgeting process and the monitoring and reporting of in year net expenditure.

Principle 2: The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy.

Within the Council the CFO regularly meets with the Chief Executive and Monitoring Officer, the Corporate Management Team and Cabinet in order to ensure that she can bring influence to bear on all business decisions. Specifically regarding the detailed guidance provided by CIPFA, the CFO within the Council:

- Leads on the development and detailed monitoring of the MTFS;
- Ensures that all Cabinet reports, on which decisions are made, includes accurate and timely information which is fit for purpose; and
- Ensures that the Council meets the requirements of the CIPFA codes on Capital Financing and Treasury Management.

Principle 3: The CFO must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

As set out in this Annual Governance Statement robust governance arrangements exist within the Council in relation to the use and control of financial resources, led by the CFO. Specifically the CFO:

- Ensures that appropriate advice is always given on all financial matters;
- Oversees the maintenance of adequate systems of control, which are subject to regular review by Internal Audit, thereby ensuring that robust systems are in place to deliver value for money and prevent fraud and corruption;
- Jointly ensures, with the Monitoring Officer, the maintenance of an effective Audit and Governance Committee and attends at the meetings of the Committee; and
- Approves the Annual Governance Statement and ensures that it adequately covers all areas of the control and governance framework.

Principles 4 and 5: To deliver these responsibilities the Chief Financial Officer must lead and direct a finance function that is resourced to be fit for purpose; and must be professionally qualified and suitably experienced.

The CFO within the Council is a fully qualified member of the Chartered Institute of Public Finance and Accountancy, has over 20 years experience within the finance function and regularly meets with other S151 officers as part of the Society of County Treasurers.

The CFO leads and manages the finance function, which has been restructured to meet the changing needs and risks of the authority, and which continues to meet required standards.

Overall this assessment has concluded that Gloucestershire County Council's financial arrangements fully conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

6.2 The Role of the Monitoring Officer

The Monitoring Officer is a statutory appointment under Section 5 of the Local Government and Housing Act 1989.

The Monitoring Officer has responsibilities in relation to governance. The main functions of the Monitoring Officer at Gloucestershire County Council are:

- To report to the Council and to the Cabinet in any case where s/he is of the opinion that any proposal or decision of the authority has given rise to or is likely to or would give rise to any illegality, maladministration or breach of statutory code under Sections 5 and 5A of the Local Government and Housing Act 1989 LGHA 89;
- To investigate any matter, which s/he has reason to believe may constitute, or where s/he has received an allegation that a matter may constitute, a reportable incident under Sections 5 and 5A of the LGHA 89;
- To act as one of the principal advisers to the Authority's Audit and Governance Committee, together with the Director: Strategic Finance;
- To maintain a register of interests of members and co-opted members of the authority; and
- To have responsibility for responding to complaints to the Local Government Ombudsman.

The Monitoring Officer's ability to discharge these duties and responsibilities will depend on Members and Officers:

- complying with the law (including any relevant Codes of Conduct);

- complying with any general guidance issued, from time to time, by the Audit and Governance Committee and the Monitoring Officer;
- making lawful and proportionate decisions;
- complying with the Council's Constitution and Standing Orders;
- not taking action that would bring the Council, their officers or professions into disrepute; and
- communicating effectively with the Monitoring Officer and seeking advice on any issues relating to constitutional or ethical matters.

6.3 The Role of the Head of Internal Audit (Chief Internal Auditor - CIA)

In accordance with amended recommendations on proper practices on the form and content of the Annual Governance Statement for 2014/2015, this statement includes the following disclosure about the role of the Chief Internal Auditor (CIA).

CIPFA has issued the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010). The statement sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them.

CIPFA : Key Principles on the Role of the CIA

Principle 1: The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.

- The Council's Internal Audit Charter clearly defines the status, role, purpose, authority and functional reporting lines of the CIA i.e. to the Audit and Governance Committee and the Corporate Management Team;
- The CIA works with members of the Corporate Management Team to give advice and promote good governance throughout the organisation and is a member of key corporate governance boards such as the Challenge and Commercial Assurance Teams; and

- Risk based internal auditing and planning processes developed and implemented, ensuring that internal audit resources are focused on the key risks facing the organisation, providing the relevant assurances to both members and management.

Principle 2: *The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.*

- The CIA provides an annual opinion to those charged with governance on the effectiveness of the Councils governance arrangements, which includes the adequacy of the mitigating controls in place, that manage the key risks; and
- The opinion feeds into the Council's Annual Governance Statement

Principle 3: *The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee.*

- The CIA has the right of direct access to the Chief Executive, Monitoring Officer and the Chief Financial Officer; and
- Where considered necessary for the proper discharge of the internal audit function, the CIA has the right of direct access to elected members of the Council and in particular those who serve on the committees charged with governance i.e. the Audit and Governance Committee.

Principle 4: *The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose.*

The CIA leads and directs the Internal Audit function, so that it makes a full contribution to and meets the changing needs and risks of the Council, and which continues to meet required professional standards.

Principle 5: *the HIA in a public service organisation must be professionally qualified and suitably experienced.*

The CIA within the Council is a fully qualified member of the Chartered Institute of Internal Auditors, has over 20 years experience within the Internal Audit function and regularly meets with other CIA's as part of the national Chief Internal Auditors' Network.

Overall this assessment has concluded that Gloucestershire County Council's Internal Auditing arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit in Local Government (2010).

6.4 Risk Management arrangements

The Annual Report on Risk Management Activity 2014/2015 provides an overview of the effectiveness of risk management within GCC and was presented to the Audit and Governance Committee on the 26th June 2015. The extract below demonstrates where external recognition has been provided as to GCC's effectiveness.

Insurance Tender

In October 2014 the Council's Liability insurers, Travelers, informed the Council that they would be increasing the liability premium rates by at least 100% and therefore the Long Term Agreement with them was broken. As this represented a significant increase in premium the Council's brokers, Marsh, advised the Council to test the market and therefore re-tender the policy.

Travelers informed the Council that the reason for the increase in premium rates was due to a review of their own risk profile, the outcome of which determined that they considered that those authorities with highways and social care responsibilities presented too high a risk to them. They were very clear that the increase was not a specific reflection on Gloucestershire County Council's risk profile. Other Council's have also experienced the same increases.

In view of the above, the Liability Policy was tendered through the Crown Procurement Service Insurance Framework with the contract to be effective from 24th June 2015.

The contract has now been awarded on a 3 year + 2 year option which has resulted in annual savings of around £29k (14%) i.e. £87k over the three year period.

Marsh brokers stated in their tender evaluation report '*We believe that the investment made in both time and effort by Gloucestershire County Council throughout this tender process has been invaluable and has resulted in a positive response from the market*'.

Development and implementation of a Risk Appetite Framework/Guidance

There are numerous definitions of organisational 'risk appetite', but it all boils down to how much of what sort of risk an organisation is willing to take. The HM Treasury definition being: 'The amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time.' So why do we need to determine our risk appetite?

If managers are running the business with insufficient guidance on the levels of risk that are legitimate for them to take, or not seizing important opportunities due to a perception that taking on additional risk is discouraged, then business performance will not be maximised. At the other end of the scale an organisation constantly erring on the side of caution (or one that has a risk-averse culture) is one that is likely to stifle creativity and not necessarily encouraging innovation, nor seek to exploit opportunities.

Risk Management and Insurance Services have developed a framework to enable risk judgements to be more explicit, transparent and consistent. By enhancing our approach to determining risk appetite, we will be able to raise the Council's capability to deliver on challenging targets to raise standards, improve service quality, system reform and provide more value for money.

The framework considers all levels of the business from strategic decision making to operational delivery and was highlighted as good practice by the Council's external auditors.

Risk leadership skills and behaviours

To enable the above and further embed good risk leadership into the culture of the Council, the leadership skills and behaviours have been enhanced, which now include reference to leaders *encouraging conscientious risk taking, being prepared to take a "calculated" risk, creating shared ownership of risk and being risk averse*. This evidences that the Council supports well-managed risk taking and innovation.

Internal Audit's review of Risk Management

In addition, Internal Audit provides an opinion on the effectiveness of risk management arrangements on each audit activity.

The outcomes during 2014/2015 highlighted that in **96%** of the audited areas Internal Audit rated the effectiveness of the risk management arrangements as substantial or satisfactory, with **46%** rated as substantial and **50%** satisfactory, with the remaining **4%** obtaining a limited assurance opinion. Where limited assurance opinions are given on audits of strategic importance, they are provided to the relevant risk champions within the Council to ensure that they are placed on the relevant risk registers.

The monitoring of the implementation of the recommendations is then owned by the relevant manager and helps to further embed risk management into the day to day management processes. These opinions also help to inform the work priorities of Risk Management and Insurance Services.

Internal Audit also undertake, on a rotational basis, detailed reviews on the effectiveness of risk management arrangements, operating across all service areas, looking at the Strategic and Operational Performance/Business Plans/Project Plans and associated Risk Registers, to ensure that actions recorded to mitigate risks are in place and operating as intended.

Management Assurances

The assurance statements obtained from all Directors and Service Heads, provided assurance that the majority of management are aware of and apply the Council's Risk Management Strategy and principles, within their service areas.

These internal and external assessments, coupled with the external recognition received for the numerous risk management initiatives undertaken over past years, and the detailed risk based assurance statements obtained as part of the formulation of the Annual Governance Statement, has led to conclude that robust risk management arrangements operate within the authority.

6.5 Financial Management and reporting arrangements

In the latest Annual Audit Letter the External Auditor issued an unqualified audit opinion, confirmed that proper arrangements were in place to secure value for money and did not identify any material weaknesses in the Council's internal control arrangements.

During 2014/15, regular financial monitoring reports were presented to Corporate Management Team, Cabinet and Scrutiny Committees.

Although those reports highlighted risks regarding demand led budgets, they forecast an overall position whereby net expenditure was contained within the overall budget. Indeed, despite having to make savings of £22 million, an overall underspend of around £1.3 million was achieved.

6.6 Fighting Fraud Locally

Radical changes to how local services are to be delivered continue. The change of emphasis from the Council being a provider to a commissioner of services changes the risk profile of fraud, as well as the control environment in which risk is managed.

All of these changes are happening against a backdrop of depressed economic activity in which the general fraud risk tends to increase.

The Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets. These factors support the need to ensure that the Council has a resilient response to the changed conditions. The Council annually publishes information about the counter fraud work undertaken via the Annual Report on Internal Audit Activity, in June of each financial year.

Anti Fraud and Corruption Policy Statement and Strategy 2014/2015

The Council's Anti Fraud and Corruption Policy Statement and Strategy 2014/2015, was developed in line with national public sector standards. The approved strategy is communicated, at regular intervals, to all managers and key stakeholders, alongside the latest whistleblowing policy (confidential reporting procedure) within the new Employee's Code of Conduct, to raise awareness and help us to further reduce the risk of fraud within GCC.

Fraud Governance within GCC

The Council's Audit and Governance Committee has a specific role regarding fraud, which is to monitor the adequacy and effectiveness of the arrangements in place for combating fraud and corruption and the Chief Financial Officer is responsible for preventing fraud and corruption and the development and maintenance of an Anti Fraud and Corruption Policy.

In addition, the Council's Chief Executive, Chief Financial Officer and Monitoring Officer are regularly updated on all irregularities and External Audit annually assesses the effectiveness of the Council's anti fraud and corruption arrangements. These assessments have been positive.

6.7 Audit arrangements, including the Audit and Governance Committee

Effective audit arrangements operate within the Council, provided by an in-house internal audit service and external audit provided by Grant Thornton. Both internal and external audit submit detailed risk based annual plans to the Audit and Governance Committee of the Council, together with regular monitoring reports highlighting key recommendations for improvement and management actions taken. Clearly, for audit to be effective, it is important that appropriate action is taken in relation to key recommendations made.

During 2014/15 the external auditors found no material weaknesses in the system of internal control, comprising risk management, control and governance within the Council.

Internal Audit

One of the key roles of the Council's Chief Internal Auditor is to provide an opinion on the overall adequacy and effectiveness of the organisation's internal control environment, and disclose any qualifications to that opinion, together with the reasons for the qualification.

Internal Audit's Opinion on the Council's Internal Control Environment

In providing the opinion it should be noted that assurance can never be absolute. The most that Internal Audit can provide is a reasonable assurance that there are no major weaknesses in risk management arrangements, control processes and governance.

Chief Internal Auditor's Opinion

I am satisfied that, based on the internal audit activity undertaken during 2014/15 and management's actions taken in response to that activity, enhanced by the work of other external review agencies, sufficient evidence is available to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Gloucestershire County Council's overall internal control environment.

In my opinion, for the 12 months ended 31 March 2015, Gloucestershire County Council has a **satisfactory** overall control environment, to enable the achievement of the Council's outcomes and objectives. However, at this time we are unable to give an opinion on the effectiveness of the Council's ICT control environment due to the ICT audit plan not being completed due to the change over/transitional arrangements of both the Council's ICT provider and ICT audit provider, both of which occurred during the same time period.

Actions are currently being taken to address this issue; however, all key ICT audits have been carried forward into 2015/2016 audit plan, to enable an opinion to be provided once completed.

Action required

The Chief Internal Audit to work with the Council's ICT Service and ICT Auditors to ensure that all 2015/2016 audits included within the audit plan are undertaken and finalised by the 31st March 2016, to enable an opinion on the ICT control environment, to be provided. The findings of this review and ongoing monitoring of the actions taken by the Council are of sufficient significance to be included within the key governance issues arising from the 2014/2015 governance review, as set out in **Appendix 4** of the statement.

Regarding internal audit reports, the Audit and Governance Committee have, during 2014/15, taken the opportunity to follow up on progress on all key audit recommendations in relation to audit reports where only limited assurance was given. They did this by requesting the attendance at their meetings of key operational officers who are asked to report on progress.

This improves accountability and ensures that key recommendations are actioned to the satisfaction of the Audit and Governance Committee.

During 2014/15, six “limited assurance opinions on control” internal audit reports were issued (representing 17% of the overall audit activity), which related to:

Audited Service Area	Date reported to Audit and Governance Committee
Developer Contributions	30th September 2014
Business Continuity Management	23rd January 2015
Gloucestershire Care Partnership, contract management arrangements	23rd January 2015
Workforce Development of Social Workers	23rd January 2015
Financial Assessment and Benefits Team	17th April 2015
Public Transport Contracts Decision Making	26th June 2015

Whilst 17% of the audited activity was rated as a limited opinion, 83% of the activities reviewed have received either a substantial (14%) or satisfactory (69%) opinion on control.

Internal Audit effectiveness

The Accounts and Audit Regulations 2015 require relevant bodies ‘to conduct an annual review of the effectiveness of its internal audit’. (Please refer to the Annual Report on Internal Audit Activity 2014/2015 reported to the Audit and Governance Committee on 26th June 2015), which provides further information about the effectiveness of the Internal Audit function and its findings.

This process is also part of the wider annual review of the effectiveness of the internal control system, and significantly contributes towards the overall controls assurance gathering processes and ultimately the publication of the Annual Governance Statement.

The Accounts and Audit Regulations 2015 also state that internal audit should conform to 'proper practices' and it is advised that, during 2014/15 proper practice for internal audit is set out in the Public Sector Internal Audit Standards (PSIAS) 2013.

The Internal Audit Charter and the Audit and Governance Committees Terms of Reference both reflect the requirements of standards.

These standards also require the Chief Internal Auditor to report annually on conformance to the standards, reporting any key non conformance in the Annual Report on Internal Audit activity and the Annual Governance Statement.

Audit and Governance Committee

Given that Internal Audit and the Audit and Governance Committee form an integral part of the Council's overall governance framework, and are an important source of assurance in respect of the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial performance, their effectiveness was reviewed against the CIPFA publication - Audit Committees – Practical Guidance for Local Authorities 2013 in relation to the 2014/15 financial year.

The Audit and Governance Committee" comprises of 9 members with a Chairman who is not part of the Executive.

Its primary role, as laid out in the Constitution, is to provide independent assurance of the adequacy of the risk management framework and the associated control environment; independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, to oversee the financial reporting process, and to ensure that Members maintain high standards of probity in their public life by carrying out investigations in respect to allegations of misconduct by a Member or co-opted Member.

6.8 Challenge Team

The Challenge Team's role is to develop and oversee a programme of challenge which supports priority-setting, options appraisal, development of strategy, decision-making, resource allocation and monitoring of implementation, to identify opportunities to save money, avoid expenditure and improve performance by encouraging a culture of challenge throughout GCC. The Board's priorities for 2014/15 are to:

- retain a focus on rigorous commissioning (i.e. after the project scope stage and before options appraisal);
- provide independent capacity to review significant issues arising from performance, finance and risk monitoring;
- create capacity to support the new "Meeting The Challenge – Together we can" (major change programme) and MTFS process, with a focus on transformational change (demand management, service redesign, resilience) as well as value for money/efficiency; and
- promote and support the development of a culture of challenge for all staff. This would include self-challenge, peer review, quality assurance processes, skills and capabilities etc.

Commercial Service

During 2011 we changed the way the County Council works, adopting the "commissioning council" model, helping us to think about our work in terms of outcomes, and not just services. This means that the Council faces an increasingly complex commercial environment with the need to balance the growing desire for decentralisation, localism and individual choice with increasing market complexity, greater regulation and the need to do more with less. Making the right commercial decisions, developing and managing markets and commercial relationships therefore becomes an increasingly vital competence to ensure that quality, service and cost outcomes are met or exceeded.

With 70% of our budget now spent externally, we need to secure better value for money and, crucially, to guarantee that we receive the services we pay for and provide the services our customers actually need.

The Council's commercial vision is:

By March 2015, the Council will be widely recognised by its stakeholders and other commercial partners as a leading exponent of sound commercial practices.

With 70% of its non schools budget spent externally, this will underpin the Council's role as a commissioning organisation and increase the contribution of third part savings to the overall efficiency, performance and quality agenda. As such, in order to strengthen our commercial management across the Council, the Commercial Service was launched in April 2014.

Commercial Assurance Team

In addition, a Commercial Assurance Team has been set up to:

- provide a governance overview of the adequacy and effectiveness of commissioning, procurement and contract management arrangements;
- ensure that prior to any decision to make a financial commitment to a third party, a clear business rationale exists, that options including de-commissioning and collaboration have been assessed, and, where an external procurement is proposed, a procurement strategy is in place;
- ensure that the Council as a whole is positioned to secure optimum value for money, manages its external supply risk and achieves its desired service outcomes; and
- provide Council/Corporate Management Team with an overview of the performance of all commercial activity to support achievement of corporate objectives.

6.9 Gloucestershire Local Government Pension Scheme (LGPS) Pension Fund

Gloucestershire County Council is the administering body for the Gloucestershire (LGPS) Pension Fund.

Internal Audit reviewed the controls in place for the three main areas of governance, pension administration and investment management.

Based on this work Internal Audit has concluded that satisfactory assurance has been obtained that the controls are operating as intended.

Governance

Internal Audit examined the various reports, policies and statements, which are published on the Gloucestershire County Council website, namely the annual report, statement of investment principles, funding strategy statement, communications policy statement, Governance Policy statement, Governance Compliance statement, pension administration strategy and the actuarial valuation report.

The latest triennial actuarial review was in respect of the fund as at 31st March 2013 and as a result employer's contributions were revised from 1st April 2014.

During 2014/15 the Department for Communities and Local Government (DCLG) continued to consult on new scheme governance arrangements for the LGPS scheme.

In January 2015 new regulations were approved by Parliament requiring LGPS administering authorities to set up a Pension Board from 1st April 2015. At its meeting of 18th February 2015 the Pension Committee approved the terms of reference of the new Pensions Board, which will hold its inaugural meeting in July 2015.

Internal Audit is satisfied that all published statements are satisfactory and changes have been approved by the Pension Committee. The annual business plan which was approved by the Pension Committee in February 2015 sets out a timetable for the review of key policies, which are revised if necessary. The Governance Policy statement and Governance Compliance statement were reviewed and approved by the Committee in February 2015. The Policy statement now includes reference to the Pension Board.

The Governance Compliance statement identifies the level of compliance against best practice principles. With the exception that not all stakeholders are represented within the committee structure, the authority is fully compliant. The reason given for this is 'concern over the logistics and potential size of the committee'. The Committee have agreed to keep the membership as it is but to review it if a request for representation is received from one of the large employers.

External Fund Managers

Internal Audit has examined the latest published accounts and the latest internal control statements of all fund managers. There were no qualifications to the opinions given.

There have been no changes to the fund managers during the year.

Performance Monitoring

All of the fund managers report regularly on their performance to the Pension Committee. In addition key officers and the independent advisor meet fund managers in London on a quarterly basis, reporting back to the following Pension Committee. In August 2014, the Committee approved a change in the independent advisor following the resignation of the incumbent. The independent advisor provides advice on the financial markets, the strategic asset allocation and fund management.

In addition the custodians record the performance against the agreed benchmarks and this is reported to the Committee. GCC have also engaged a specialist company who independently measure the performance of the funds. Gloucestershire continue to perform well against the local authority universe, with performance ranking within the top decile for 2014.

In accordance with Myner's principle 1, members of the Pension Committee should have sufficient skills, knowledge and expertise to be able to make effective decisions and challenge the advice they are given. All committee members are asked to attend 3 days of fundamental pensions training, when they first join the committee. There were no new members in 2014/15. In August 2014 an in-house training day took place for the Committee, with training provided by officers, the fund's independent advisor and external fund managers. Training records are maintained for all members.

Management of funds risks and controls

As part of the annual report and funding strategy statement the administering authority assesses and publishes its risks under four main headings:

- Investments/financial;
- funding/demographic;
- administration/regulatory; and
- governance.

Mitigating controls are documented against each risk.

Internal Audit are satisfied that the key documents required to mitigate these risks including the actuarial review – triennial valuation and the fund strategy statement are in place and are reviewed on a regular basis. The statement of investment principles was due for review in 2014 and is planned to take place once the results of the DCLG consultation on opportunities for collaboration, cost savings and efficiencies in the LGPS is known. The outcome of this consultation is still awaited.

In February 2015 a detailed risk register was taken to the Pension Committee. Members welcomed this and asked that it should be taken back to committee twice a year.

Pension Fund Administration

The Gloucestershire Pension Fund participates in the annual CIPFA benchmarking club, which compares them to 49 other LG Pension Funds. The latest results show that the costs per member have reduced by 9% compared to the previous year and continue to be well below the average; within the lowest cost quartile.

The new LGPS 2014 came into force in April 2014. Lead Pension Officers undertook externally provided training, which was then disseminated to all pension's administration officers. Since then training has been provided on an ad-hoc basis. The new regulations represented a significant change to the scheme and have impacted on calculations and provision of advice to active members, as they now reflect both pre-2014 and post-2014, benefits.

National delays in interpretation of regulations, provision of software and local extraction of information from SAP, particularly in relation to HMRC annual allowances have created a backlog of work. Whilst the pensions administration continue to ensure that critical requests such as retirements are dealt with promptly, requests for pension estimates are taking longer to process.

The Pension Administration Section undertakes a variety of exercises to mitigate against risk of losses to the fund including validation of pension contributions and checks to reconcile lump sum payments.

Under the LGPS14 career average system (CARE) it is more critical that correct and timely information is received from employers. The Pension Administration Strategy, which enables the pension fund to charge the employer for late notification and to recover additional costs that may be incurred by the Pension Scheme, was revised in February 2015.

6.10 Budget Scrutiny/Performance Management/Business Planning arrangements

This area has been covered in numerous inspections in recent years, with positive comments always being made.

Corporate Performance Management, Strategic and Business Planning continue to be an integral part of working arrangements within GCC, both at officer and member level, with strategic performance reports being submitted to the Corporate Management Team, Cabinet and the Overview and Scrutiny Management Committee, (who led on the budget and performance scrutiny process during 2015/16) and performance against Business Plans being monitored by the relevant Scrutiny Committees.

6.11 Programme and Project Management arrangements

GCC has invested significantly in continuing to strengthen the arrangements we have in place for programme and project management. There is a clear portfolio of projects which have been designed to meet the significant challenges the Council is facing. These projects are managed in accordance with good practice principles and are systematically reviewed as part of the corporate performance and risk management and reporting framework.

6.12 Independent external reviews of the Council

Serious Case Review

During 2014-15, the Gloucestershire Safeguarding Adults Board commissioned an independent adult serious case review into sexual assaults and financial abuse committed against vulnerable adults in home x in Gloucestershire. The review identified a number of areas where safeguarding could be enhanced. A Serious Case Review Action Plan is now available and is being worked on. This work is being coordinated and overseen by the Safeguarding Adults Board. In addition, the Council's Internal Audit function will provide professional risk and control advice and support as required, as part of the implementation of the action plan.

SAP Quality Award

The Council won a Gold Quality Award (representing UK and Ireland) and the silver award for Europe, Middle East and Africa region, for its rapid delivery of a new budget monitoring system.

SAP, one of the world's biggest business software organisations, presented the Council with the award in recognition of excellence for the implementation of its new budget monitoring and forecasting solution.

Working with partner Capgemini the Council effectively and efficiently delivered monthly forecasts and reports, with the project delivering clear business benefits. Delivered over six months, the project was completed on budget, and more than 350 staff who use the system were successfully trained during its implementation.

The project resulted in £280k of financial savings for the Council and users now follow a more simplified and automated process. There is improved transparency of information which supports the decision taking for those staff with financial responsibility.

As well as making financial savings, the Council has also achieved efficiency benefits for those using the system. The new system is simpler to use, less time consuming, has an easier reporting functionality and quicker reporting timescales.

External Audit

In terms of the Governance statement for 2014/15, further key assurance has been obtained from the most recent Annual Audit Letter produced by the External Auditors, based on findings from the 2013/14 audit (latest set of audited accounts), and reported to the Audit and Governance Committee in January 2015. In this letter the auditors set out their main responsibilities and the basis on which an assessment on the adequacy of the County Council's financial arrangements and statements, internal control arrangements and arrangements for securing financial resilience and securing value for money, has been made.

In relation to the above, the external auditor issued an unqualified opinion on the Council's 2013/14 financial statements, confirming that the statements give a true and fair view of the Council's financial position. The external auditors also issued an unqualified Value for Money conclusion for 2013/14, stating that in all significant respects the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. No significant weaknesses were identified by the External Auditor.

External Quality Assessment of the effectiveness of Internal Audit

The objective of an External Quality Assessment (EQA) review is to undertake an independent assessment of the effectiveness of Gloucestershire County Council's internal audit function. This review was undertaken during May 2015 by the Chartered Institute of Internal Auditors and included a review of the team's conformance to the International Professional Practice Framework (IPPF) as reflected in the Public Sector Internal Audit Standards, benchmarking the function's activities against best practice and assessing the impact of internal audit on the organisation. There are 56 fundamental principles to achieve with more than 150 points of recommended practice in the IPPF. The independent assessment identified 100% conformance. The Chartered Institute of Internal Auditors stated:

'It is our view that GCC's internal audit function conforms to all 56 principles. This is excellent performance given the breadth of the IPPF and the challenges facing the function'.

6.14 Cabinet and individual Cabinet Members decision making arrangements / scrutiny arrangements

Cabinet and individual Cabinet Members decision making arrangements continued to operate effectively during 2014/15.

The Council's Scrutiny committees provide an opportunity for councillors to hold decision makers to account for their actions, review under-performance and help in developing policies. The committees do not just look at services provided by the Council but also those provided by partner organisations such as the NHS. They are well placed to address issues of local concern and provide opportunities for public involvement.

A key piece of scrutiny work undertaken during the year related to the scrutiny of the Council's 2015/2016 budget process, with a report being submitted to, and considered by Cabinet, as part of the budget setting process.

The Council is recognised nationally as one of the leading scrutiny authorities and works closely with public sector partners.

The Council was successful in winning the Centre for Public Scrutiny's 'Overall Impact' award in 2012 for its work with community representatives in examining the Environment Agency's proposals south of Gloucester.

The Council has also been shortlisted for the 2015 Centre for Public Scrutiny awards for the scrutiny review of the community impact of the pilot badger cull in West Gloucestershire. In October 2014, a group of members were invited to present the review's findings to the Rt Hon Elizabeth Truss MP at the Department for Environment, Food and Rural Affairs.

More information on the roles and responsibilities of the Council's Scrutiny Committees can be accessed at:

<http://glostext.goucestershire.gov.uk/ieDocHome.aspx?Categories=>

6.15 Executive decisions taken by Officers

The Council's decision making process is under greater scrutiny than ever before, both from elected members and members of the public. It is therefore extremely important that we have robust decision making and recording procedures in place.

During 2014/2015, the procedural framework for documenting and publishing executive decisions taken by officers under delegated powers, which includes decisions taken over £250k, continued to be reviewed and further enhanced to embed further accountability and enable challenge to decisions, prior to them being formally approved.

In addition, the Monitoring Officer has reinvigorated the governance remit of the Statutory Officers (Chief Executive, Chief Financial Officer and Monitoring Officer) and is currently developing a new approach to better decision making. This will include streamlining and clarifying the decision making process for staff while continuing to ensure the Council is making good decisions based on the principles of good governance.

The Council's Constitution is updated as and when changes arise.

6.16 Standards of conduct of officers and members (including the role of the Audit and Governance Committee) and adherence to the law

The Audit and Governance Committee continued to operate effectively during 2014/15. As provided in the Council's Constitution, "the purpose of the Audit and Governance Committee is to maintain high standards of probity amongst members through the provision of advice, training and by carrying out investigations in respect of allegations of misconduct by a member or a co-opted member".

Regarding complaints to the Ombudsman, the Council's Chief Executive, Chief Financial Officer and Monitoring Officer oversees all such complaints and the complaint outcomes are monitored on an ongoing basis. In 2014/15, no findings of maladministration with injustice were made.

6.17 Governance of Stakeholder relationships- Leadership Gloucestershire – Working together for you

Leadership Gloucestershire (LG) brings together public sector organisations which allocate and spend significant resources in Gloucestershire.

Its role is to provide vision, leadership and strategic direction in those areas where it is vital for organisations to work together to meet the needs of the people and communities of Gloucestershire in the most cost effective way.

Leadership Gloucestershire will work together to reduce current costs, minimise future costs and deliver better outcomes for the benefit of the people of Gloucestershire. These pages set out the arrangements for strategic partnership working in Gloucestershire.

<http://www.goucestershire.gov.uk/extra/leadershipgoucestershire>

Risk leadership in partnerships and alternative service delivery models

The range of partnerships, contractual arrangements and alternative service delivery models now being adopted by the Council evidences how much change and innovation there is in the local government sector. However, these new arrangements bring new risks. The challenge for the Council is to implement robust and proportionate governance arrangements in these new delivery models, without stifling innovation.

To be able to respond to the above, the Council has developed and successfully implemented partnership/contractual governance frameworks, which includes applying the principles of good risk management and using the risk appetite model to help direct resources and inform decisions. In addition, from April 2014, new leadership behaviours have been adopted, which encourages well thought-through risk taking, to enable the Council and its partners to achieve the partnership priorities.

Action Required

To ensure that Partnerships and contractual arrangements are underpinned by a common vision of their work that is understood and agreed by all Partners, Corporate Risk Management and Challenge Team to review the key partnership/contractual governance arrangements, working with the relevant managers and support services, to ensure they are operating effectively. This will include the common understanding between all partners/providers of the risks they face and how they will be managed, clearly defined roles and responsibilities and decision making processes. The findings of this review and ongoing monitoring of the actions taken by the Council are of sufficient significance to be included within the key governance issues arising from the 2014/2015 governance review, as set out in **Appendix 4** of the statement.

7. Other Issues

Ongoing changes to the Council's governance structures

The challenges faced by the Council continue to intensify. Austerity and central government funding reductions combined with demographic pressures, capacity to deliver and long term sustainability issues, heighten the importance of alternative service delivery models to local authorities as an avenue for both cost savings and innovation, when deciding how services are to be delivered.

In responding to this challenge, the Council is increasingly using commissioning and partnerships/shared services with other local authorities and sectors as a vehicle for delivering public services, to ensure that waste and inefficiency are reduced and resources deployed in areas that matter to people who need our services.

Shared services and collaborative working provide many important opportunities. By introducing new business structures, improving processes and deploying new technologies and management systems, such approaches have a major role to play in improving cost-effectiveness, resilience and service quality.

Alternative Service Delivery Models

Future joint working arrangements with Gloucester City Council

During 2014/2015 members of both the Gloucestershire County Council and Gloucester City Council endorsed the appointment of a joint role of Managing Director for Gloucester City Council and a Joint Strategic Commissioning Director for the County Council. The Managing Director role will be accountable to the Leader and Cabinet of Gloucester City Council and the Strategic Commissioning Director role will report to the Chief Executive of Gloucestershire County Council.

This is a fundamental role for the progression and development of both Councils' strategic objectives. This is about innovation, collaboration, influencing and ensuring we make the essential links across both organisations through understanding the needs and capacity of our community. Then it's translating that into how best we can sustainable target limited resources to manage the demand for services and support.

Internal Audit and Risk Management Shared Service

With effect from 1st June 2015, Gloucestershire County Council, Gloucester City Council and Stroud District Council entered into an Internal Audit and Risk Management shared services collaboration agreement. This collaboration presents a real opportunity across the three authorities, to:

- Achieve efficiencies from the employment of a single Chief Internal Auditor, across the three authorities;
- Pool expertise to strengthen business delivery to the benefit of the clients;
- Provide critical mass and improved business resilience e.g. enabling the risk of sickness and vacancies to be better managed;
- Enhanced ability to undertake thematic reviews across the three authorities to share best practice across the shared service;
- Enabling succession planning, career opportunities and development for staff;
- Optimising use of resources through a modern collaborative approach;
- Achieving economies of scale through shared training and procurement;
- Increased capacity, flexibility and specialist knowledge from pooling staff resources; and
- Benefits of adopting common day to day audit reporting and procedural approaches driven by a single Audit Management System for the shared service, along with common audit committee reporting protocols/methodologies/formats.

Whilst the benefits of this are widely recognised, partnerships/shared services and the cross cutting issues with which they often deal, create some challenges for clear accountability and good governance. However, the Council strives to ensure that working arrangements demonstrate clear lines of accountability for stakeholders and customers taking into consideration each partner organisations' own governance and structure.

Financial challenges

The Council faced a challenging year in 2014/2015 as it sought to manage budget reductions and increasing demand for some key services during a period of ongoing changes made to the organisational structure of the Council.

Looking to the future, we expect the financial climate to continue to be challenging for all councils. Although the economy is recovering, and Gloucestershire's recovery has been more rapid than most, we expect there to be further reductions in the amount of money councils have to spend. This means that for the County, we estimate that this will result in a budget gap of around £75m over the next three years. We also know that changes in our demographics will mean that more and more people need help and support. This is particularly true of services for vulnerable children and adults, where improvements in healthcare mean that more people will need help for longer. If we carry on in the same way, a greater proportion of our budget will need to be spent on supporting vulnerable people, reducing what is left to be spent on other essential services.

Public Consultation - Meeting the Challenge (MTC) – Together we can

Four years ago we launched our last Council Strategy: 'Meeting the Challenge'. It set out our response to anticipated reductions in public sector funding and the need to save money across our services. It was the result of extensive consultation with local people and detailed planning by councillors and council officers. It set out how we intended to make £114 million of savings.

Four years on, we are on track to achieve that target. We have achieved that by focussing relentlessly on ensuring everything we do reflects what local people need and expect from their council. We have streamlined our organisation, reducing staff numbers, reducing our buildings and finding more and more ways to deliver services efficiently and at a lower cost to the taxpayer.

There have been difficult decisions to make, but we have delivered on the commitments we made to focus on the most vulnerable, to protect adult social care budgets, to help communities step forward where we were withdrawing a service and to get our own house in order by looking for internal efficiencies before reducing services to the public.

The changes we have already made within the Council will help us to make this happen, but we know that our efforts alone will not be enough. We will need local people and communities to work with us and to forge a different sort of relationship with their Council.

That is why we have called our strategy "Meeting the Challenge: Together We Can" to enable us to join forces to make a difference for local people. An MtC Board has been set up to monitor the MtC portfolio, in particular risk assess savings, undertake deep dives and ensure that the budget can be balanced. The Council has demonstrated its ability to deliver such savings and service realignment, and continues to develop and implement plans to address the challenge.

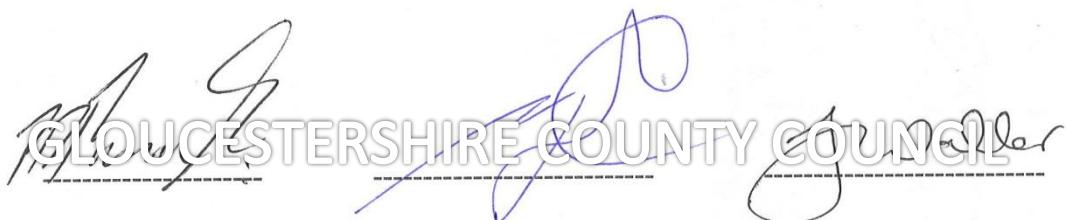
Residual Waste Project

The residual waste project experienced a significant planning delay during 2014/15 with a positive Secretary of State decision finally announced in January 2015, which was subsequently challenged by Stroud District Council. The project was subject to a special County Council debate in February 2015. The next critical date for the project is 25th June 2015, when the legal challenge to the Secretary of State's decision by Stroud District Council will be heard.

8. Certification

To the best of our knowledge, the governance arrangements, as defined above and within the Council's Local Code of Corporate Governance, have been effectively operating during the year with the exception of those areas identified in **Appendix 4**. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:



GLoucestershire COUNTY COUNCIL

Peter Bungard
Chief Executive

Mark Hawthorne
Leader of the Council

Jo Walker
Director: Strategic
Finance (S151)

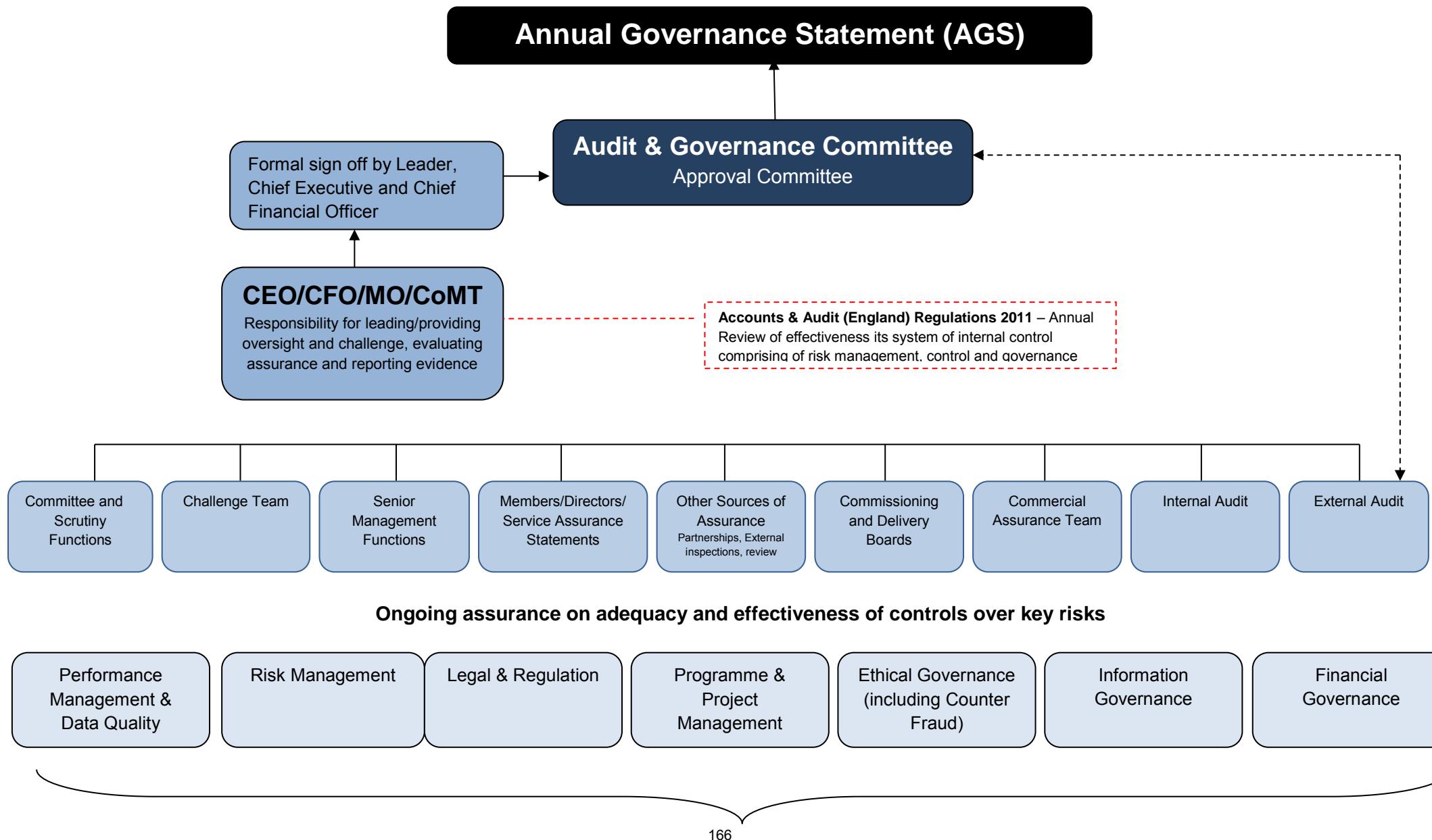
Date:

29/6/15

29/6/15

29/6/2015

Gloucestershire County Council's Governance Framework 2014/2015



Progress on 2013/2014 Governance Issues

As a result of the 2013/2014 review of governance arrangements, the following governance issues were identified. Progress on these issues are summarised below.

Review Reference	Action	Target Date	Progress as at 31 st March 2015
B/F from 2012/2013 Review Local Code of Corporate Governance (LCCG) Governance Principle 4.1	<p>Cotswold Water Park actions - Internal Audit compliance review</p> <p>Internal Audit to review compliance with the following revised policies, systems and processes, reporting the outcomes to the Audit and Governance Committee:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Follow up review of the Complaints Policy/System; and <input type="checkbox"/> Officers Scheme of Delegation. 	Completed Completed	<p>Complaints Policy/System The audit was undertaken and outcomes reported to the Audit and Governance Committee.</p> <p>Officers Scheme of Delegation The audit was undertaken and outcomes reported to the Audit and Governance Committee.</p>

Review Reference	Action	Target Date	Progress as at 31 st March 2015
B/F from 2012/2013 Review AGS Page 21	<p>Audit and Governance Committee self-assessment against mandatory auditing standards/revised guidance</p> <p>Due to the changes in the role and functions of the Audit and Governance Committee, a self-assessment will be undertaken during 2014/2015, led by the Chief Internal Auditor, in full collaboration with the Director of Strategic Finance, Head of Financial Management and the Audit and Governance Committee, against the CIPFA publication - Audit Committees – Practical Guidance for Local Authorities 2013.</p>	Completed	<p>Review of the Effectiveness of the Audit and Governance Committee</p> <p>A workshop was held with the Members of the Audit and Governance Committee on the 27th November 2014. Officer attendees included the Head of Financial Management, Chief Internal Auditor, The External Auditor and the Democratic Services Advisor. A self assessment against recommended practice was undertaken. Improvement areas were identified and an action plan developed. The review will be reported in the Committee's Annual Report to full Council.</p>
2013/2014 Review AGS Page 22	<p>Adherence to Public Sector Internal Auditing Standards 2013</p> <p>The self assessment has identified that the internal audit service meets the requirements of the new standards, with the exception of the one key new area as summarised below:</p> <p>The Chief Internal Auditor is required to ensure that an external assessment of the service is undertaken by people external to the internal audit activity with sufficient knowledge of internal audit practices and standards, at least once every five years.</p>	Completed	<p>Internal Audit External Quality Assessment</p>

Review Reference	Action	Target Date	Progress as at 31 st March 2015
	<p>Action: The Chief Internal Auditor will undertake an options appraisal to identify the pros and cons of the various external assessments available and present a proposal to the Audit and Governance Committee.</p>	<p>Options appraisal completed</p> <p>External Quality Assessment completed</p> <p>Outcomes to be reported to the Audit and Governance Committee on 26th June 2015</p>	<p>An options appraisal had been completed and the recommended assessor was proposed to the Audit and Governance Committee on the 23rd January 2015.</p> <p>The assessment was undertaken during May 2015 with the outcomes reported back to the Audit and Governance Committee, by the assessor, on the 26th June 2015.</p>
<p>2013/2014 Review</p> <p>LCCG</p> <p>Governance Principle</p> <p>1.3-page 11</p>	<p>Value For Money. The County Council is required to:</p> <p>Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively.</p> <p>Action: The Director of Finance to consider the development of a corporate good practice guidance note on how to assess and measure VFM and to integrate into the option appraisal/challenge and decision making processes.</p>	<p>Completed</p>	<p>Value For Money</p> <p>A Value for Money policy has been developed and implemented. The Policy was presented to Audit and Governance Committee on 11th April 2015.</p>

Review Reference	Action	Target Date	Progress as at 31 st March 2015
2013/2014 Review LCCG Governance Principle 1.3-page 11	<p>Environmental Impacts. The County Council is required to:</p> <p>Measure the environmental impact of policies, plans and decisions.</p> <p>Action: The Head of Risk Management to ensure that the ongoing quality assurance processes of all key projects and programmes and contractual arrangements includes the consideration of environmental impacts.</p>	Completed	<p>Environmental Impacts</p> <p>Environmental risk/impact is one of the Council's key categories of risk, which should be considered by management, when delivering the Council's priorities/objectives i.e. fully integrated into decision making, business planning, option appraisals, programme, project and contract management arrangements.</p> <p>Corporate risk management ensures due consideration has been given to environmental impacts as part of the mandatory 'risk' sign off process, at all the key programme and project management gateways.</p>
2013/2014 Review LCCG Governance Principle 2.2-page 13	<p>Scheme of Delegation. The County Council is required to:</p> <p>Determine a scheme of delegation and reserve powers within the Constitution / Partnership Arrangement including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.</p>	Ongoing	<p>Adults and Public Health Scheme of Delegation.</p>

Review Reference	Action	Target Date	Progress as at 31 st March 2015
	<p>Action: A detailed scheme of delegation is currently being developed by the Commissioning Director: Adults and Public Health.</p>	Transferred to 2015/2016 Action Plan	A detailed delegation of functions is currently being developed by the Commissioning Director: Adults and the interim Director of Public Health.
2013/2014 Review LCCG Governance Principle 4.2-page 27	<p>Executive decisions. The County Council is required to:</p> <p>Ensure that those making decisions whether for the authority or the partnerships are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.</p> <p>Actions: During 2014/2015 further support/ training/guidance will be provided to management, by the Executive Support Manager, to ensure that all decisions are made in accordance with the Council's Constitution and are supported by good quality documentation.</p> <p>Internal Audit to review compliance with the Council's decision making processes during 2014/2015.</p>	<p>Ongoing</p> <p>Completed</p>	<p>Executive decisions</p> <p>During 2014/2015 the Head of Democratic Services and Executive Support Manager have delivered and will continue to deliver political awareness sessions across the Council's services. These sessions include sections on executive decision making within the Council.</p> <p>The Monitoring Officer and Executive Support Manager are also currently reviewing the Officer Executive Decision Making process a year on from when it was launched to staff. A report was presented to CoMT in October 2014 which updated them on the number of officer decisions recorded under the new process and also of those, the number that have been published. Improvements are being piloted over the summer, which will also be informed by the outcome of the internal audit review of the Council's decision making arrangements.</p>

Review Reference	Action	Target Date	Progress as at 31 st March 2015
2013/2014 Review LCCG Governance Principle 5.1-page 31	<p>Developing the capability of Officers. The County Council is required to:</p> <p>Provide induction programmes tailored to individual needs and opportunities for Officers to update their knowledge on a regular basis.</p> <p>Action: Political awareness sessions to be 'rolled out' to a wider number of staff by the Head of the Democratic Services Unit.</p>	Ongoing	<p>Political Awareness Sessions</p> <p>During 2014/2015 the Head of Democratic Services and Executive Support Manager have delivered and will continue to deliver, political awareness sessions across the Council's services.</p>
2013/2014 Review LCCG Governance Principle 6.1-page 37	<p>Scrutiny Function. The County Council is required to:</p> <p>Publish an annual report on the activity of the scrutiny function.</p> <p>Action: An annual scrutiny report for 2012-13 was not published following the election in May 2013. It will be published in 2013-14 in a revised format focusing on scrutiny outcomes.</p>	Completed	<p>Annual Scrutiny Report</p> <p>The annual scrutiny report was presented to the Overview and Scrutiny Management Committee on 18th September 2014 and Council on 26th November 2014.</p> <p>A scrutiny review has now also been completed involving county councillors, district councillors and senior officers. Overall, scrutiny is thought to be working well and no structural changes have been requested. Some changes in working practices will be adopted to address the issues raised by members.</p>

Improvement Plan - 2014/2015 Governance Issues

As a result of the 2014/2015 review of governance arrangements, the following governance issues were identified.

Review Reference	Action	Target Date
B/F from 2013/2014 Review LCCG Governance Principle 2.2-page 13	<p>Scheme of Delegation. The County Council is required to:</p> <p>Determine a scheme of delegation and reserve powers within the Constitution / Partnership Arrangement including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.</p> <p>Action: A detailed scheme of delegation is currently being developed by the Commissioning Director: Adults and Public Health.</p>	To be finalised during the first quarter of 2015/16.
2014/2015 Review LCCG Governance Principle - 1.1 page 7	<p>Governance in working with others – Alternative Service Delivery Models. The County Council is required to:</p> <p>Ensure that Partnerships/Contracts are underpinned by a common vision of their work that is understood and agreed by all Partners.</p> <p>Action: Corporate Risk Management and Challenge Team to review the key partnership/contractual governance arrangements, working with the relevant managers and support services, to ensure they are operating effectively. This will include the common understanding between all partners/providers of the risks they face and how they will be managed, clearly defined roles and responsibilities and decision making processes.</p>	31 st March 2016

Review Reference	Action	Target Date
2014/2015 Review AGS Page 22 Ref 6.7	<p>Chief Internal Auditor's opinion on the ICT control environment</p> <p>The Chief Internal Auditor to work with the Council's ICT Service and ICT Auditors to ensure that all 2015/2016 audits included within the audit plan are undertaken and finalised by the 31st March 2016 to enable an audit opinion on the effectiveness of the ICT control environment to be provided.</p>	31st March 2016



CODE OF CORPORATE GOVERNANCE



2014-2015

Document Version Control

Revision	Description	Changed By:	Date:
V0-0	Original document	Theresa Mortimer	December 2013
V1.0	Revised	Theresa Mortimer	February 2014
V1.1	Revised	Theresa Mortimer	May 2015

Document Information

Owner & Author:	Theresa Mortimer: Chief Internal Auditor: Internal Audit, Risk Management and Insurance Services
Team/Section:	Internal Audit, Risk Management & Insurance Services
Create Date:	February 2014
Review date:	May 2015
Approval (when appropriate):	Audit and Governance Committee
Equalities Impact Assessment	
Completed (when appropriate):	
Version:	1-1
Disposal:	Once superseded retain for 6 years then offer to archives
Subject:	
File Name:	Code of Corporate Governance 2014-2015

Code of Corporate Governance

Context

Local Government has been undergoing significant change and the environment in which it works is increasing in complexity. In addition to economic and financial challenge, the Localism Act and other key legislation has brought new roles and opportunities and greater flexibility for authorities.

Local authorities are changing the way in which they operate and undertake service provision. Public services are delivered directly, through partnerships and collaboration and through commissioning, shared services and partnership boards have come into existence. The introduction of new structures and ways of working provide challenges for managing risk, ensuring transparency and demonstrating accountability.

Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with control and the management of risk. A one-size-fits-all approach to governance is inappropriate. Local governance arrangements must be proportionate to the risks and are acknowledged as the responsibility of each local authority in its area of operation.

Introduction

Gloucestershire County Council (GCC) has adopted a Code of Corporate Governance based upon the CIPFA/SOLACE document entitled '*Delivering Good Governance in Local Government*': 2012 Framework.

What do we mean by Governance?

Governance is about how GCC ensures that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, culture and values by which GCC is directed and controlled and how it accounts to, engages with and, where appropriate, leads local communities.

Code of Corporate Governance

GCC operates through a governance framework that brings together an underlying set of legislative requirements, governance principles and management processes.

The County Council's Code of Corporate Governance specifically identifies the actions to be taken in relation to each of the core principles and supporting principles, please see below.

In order to assist the reader, a single sheet which defines the local framework by reference to key documents and contributory processes is detailed at Appendix 1 attached to this Code.

Code of Corporate Governance

Core Governance Principles

The Council's governance framework is consistent with the six core principles (underpinned by a number of supporting principles) of the CIPFA/SOLACE framework and these are summarised below:



Core Principle 1: Gloucestershire County Council aims to focus on its purpose and on outcomes for the community, creating and implementing a vision for the local area with partners.

Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Core Principle 3: Promoting values for the authority, and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Core Principle 4: Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk.

Core Principle 5: Developing the capacity and capability of members and officers to be effective.

Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

Code of Corporate Governance

Actions taken by GCC in relation to each principle

Core Principle 1



Focusing on the purpose of the authority and on outcomes for our customers and stakeholders and creating and implementing a vision for the local area.

Supporting Principles	The County Council is required to:	Evidence that the Council complies with these requirements:	Compliant R / A / G	Actions for improvement (incl. timescales)
1.1 Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision.	<ul style="list-style-type: none"> ➤ Develop and promote the purpose and vision through the Council Strategy ➤ Review on a regular basis the authority's vision for the local community and the implications for our governance arrangements. 	<ul style="list-style-type: none"> ➤ The Council's Strategy sets out the Council's vision, values and high level priorities. ➤ The Strategy is updated annually and informed by public consultation. Progress is monitored on a quarterly basis through strategic performance reports to Cabinet and Scrutiny Committees, which are publicly available. 	  	

Code of Corporate Governance

	<ul style="list-style-type: none"> ➤ Ensure that Partnerships are underpinned by a common vision of their work that is understood and agreed by all Partners. 	<ul style="list-style-type: none"> ➤ The Council's Strategy priorities are developed in partnership with other public/private bodies and the voluntary sector. We have joint partnership plans and outcome agreements/contracts which include key performance indicators and activities which are monitored and progress discussed at regular Board and Business meetings. 		<p>Governance in working with others</p> <p>Corporate Risk Management and Challenge Team, alongside management and support services, to review the key partnership/contractual governance arrangements to ensure they are operating effectively.</p> <p>Target Date: March 2016</p>
--	--	---	---	--

Code of Corporate Governance

	<ul style="list-style-type: none"> ➤ Publish an annual report (or similar documents) on a timely basis to communicate GCC's activities and achievements, its financial position and performance. 	<ul style="list-style-type: none"> ➤ Quarterly strategic performance reports are produced, which are publicly available. ➤ <u>Medium Term Financial Strategy</u> published. ➤ The Council publishes an annual report on the activity of the scrutiny function. ➤ <u>Annual Statement of Accounts</u> and Annual Governance Statement published. ➤ <u>Annual External Audit and Inspection Letter</u>. ➤ A Complaints and Compliments Annual Report is produced and available on the Council's website. 		
--	---	--	---	--

Code of Corporate Governance

<p>1.2 Ensuring that customers receive a high quality of service whether directly, or in partnership, or by commissioning.</p>	<p>➤ Decide how the quality of service for customers is to be measured and make sure that the information needed to review service quality effectively and regularly is available.</p>	<p>➤ The Council has developed Strategic Commissioning Plans, Service Level/Outcome Agreements and Annual Business Plans with clearly defined outcomes and a balanced set of measures and risks to evaluate performance. Performance scorecards are circulated to managers on a regular basis.</p> <p>➤ External inspection regimes including OFSTED and CQC.</p> <p>➤ Internally led service reviews, as well as independent challenge sponsored by Challenge Team to support service improvement and value for money.</p>		
--	--	---	---	--

Code of Corporate Governance

	<ul style="list-style-type: none"> ➤ Put in place effective arrangements to identify and deal with failure in service delivery. 	<ul style="list-style-type: none"> ➤ Quarterly performance reports analysing trends and latest budget position are monitored at management and Board meetings and mitigation strategies are implemented to manage current and emerging risks. ➤ Formal <u>complaints policy and procedures</u> in operation. This intelligence is used to improve services and focus on the needs of our customers. ➤ Independent Challenge Team to support rigorous commissioning, review significant issues arising from performance, finance and risk monitoring, support transformational change, value for money and efficiencies, and promote and support the development of a culture of challenge for all staff. 		
--	--	---	---	--

Code of Corporate Governance

<p>1.3 Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.</p>	<ul style="list-style-type: none"> ➤ Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. ➤ Measure the environmental impact of policies, plans and decisions. 	<ul style="list-style-type: none"> ➤ Annual Organisational Value for Money Assessment by the External Auditor. ➤ Benchmarking exercises to compare information on the authority's economy, efficiency and effectiveness of services with that provided by similar organisations. This information is shared with Scrutiny Committees and other relevant Boards and Management Teams. ➤ Value for Money Policy in place. ➤ The Cabinet report template enables the recording of the environmental impact of decisions taken. ➤ The Corporate Risk management Strategy considers environmental risk as a key category of risk and enables the impacts to be measured. 		
---	--	--	---	--

Code of Corporate Governance**Core Principle 2**

Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Supporting Principles	The County Council is required to:	Evidence that the Council complies with these requirements:	Compliant R / A / G	Actions for improvement (incl. timescales)
2.1 Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.	<ul style="list-style-type: none"> ➤ Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice. ➤ Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers. 	<ul style="list-style-type: none"> ➤ The Council's Constitution sets out the respective roles and responsibilities of the Council, the Cabinet, Scrutiny and other Committees, as well as Officers. It covers, among other things, Codes of Conduct for Members and Employees, a protocol on the relationship between members (including shadow members) and officers and the scheme of members' allowances. ➤ Officer role descriptions (particularly for reward band/senior posts). 		

Code of Corporate Governance

		<ul style="list-style-type: none"> ➤ Leadership performance management/appraisal and leadership development programme. 		
2.2 Ensuring that a constructive working relationship exists between Elected Members and Officers and that the responsibilities of Members and Officers are carried out to a high standard.	<ul style="list-style-type: none"> ➤ Determine a scheme of delegation and reserve powers within the Constitution / Partnership Arrangement including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required. 	<ul style="list-style-type: none"> ➤ The Council's Constitution defines the Scheme of delegation and approval powers, which is reviewed at least annually in the light of legal and organisational changes. ➤ Register of authorisations (i.e. detailed schemes of delegations that sit beneath the overarching scheme) which are maintained by the Monitoring Officer. ➤ Terms of Reference of Joint Committees included within the Constitution. ➤ Officer role descriptions and employment contracts. 	●	Adults and Public Health Scheme of Delegation A detailed delegation of functions is currently being developed by the Commissioning Director: Adults and the interim Director of Public Health. To be finalised during the first quarter of 2015/16.

Code of Corporate Governance

		<ul style="list-style-type: none"> ➤ Performance management framework and leadership development programme in place. ➤ New Operating Model Accountabilities & Responsibilities framework in place. 		
	<ul style="list-style-type: none"> ➤ Make a Chief Executive responsible and accountable to the authority for all aspects of operational management. 	<ul style="list-style-type: none"> ➤ The Council has three Statutory Officers responsible for good governance. The Chief Executive is the Council's Head of Paid Service, The Director of Strategic Finance is the S151 Officer and the Director of Strategy and Challenge is the Monitoring Officer. They meet on a regular basis. 	★	
	<ul style="list-style-type: none"> ➤ Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained. 	<ul style="list-style-type: none"> ➤ The Council's Constitution defines the relevant roles and their respective delegated powers. 	★	

Code of Corporate Governance

		<ul style="list-style-type: none"> ➤ GCC have a job description/job profile for the Leader and the Chief Executive. ➤ The Leader and Chief Executive have regular 1:1 meetings each week. ➤ Regular Cabinet / CoMT meetings take place. 		
	<ul style="list-style-type: none"> ➤ Make a Senior Officer (the S151 Officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. 	<ul style="list-style-type: none"> ➤ The Council's Constitution reflects the statutory appointment of a Section 151 officer, who is also a member of the Corporate Management Team. ➤ The Council has complied with the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government</i> and has reported on it accordingly in its Annual Governance Statement. 	★	

Code of Corporate Governance

		<ul style="list-style-type: none"> ➤ The Council has complied with the <i>CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations</i> and has reported on it accordingly in its Annual Governance Statement. 		
	<ul style="list-style-type: none"> ➤ Make a Senior Officer (the Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable Statutes and Regulations are complied with. 	<ul style="list-style-type: none"> ➤ The Council's Constitution reflects the statutory appointment of a Monitoring Officer, who is also a member of the Corporate Management Team. 		
2.3 Ensuring relations between the authority, its partners and the public are clear so that each knows what to expect of the other.	<ul style="list-style-type: none"> ➤ Develop protocols to ensure effective communication between members and officers in their respective roles. 	<ul style="list-style-type: none"> ➤ Protocol on Member / Officer Relations in the Constitution. ➤ Portfolio Holder (and shadow) meetings. 		
	<ul style="list-style-type: none"> ➤ Set out the terms and conditions for the remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel. 	<ul style="list-style-type: none"> ➤ The Council has an Independent Remuneration Panel. ➤ A scheme for member remuneration and allowances is published. 		

Code of Corporate Governance

		<ul style="list-style-type: none"> ➤ The Council has an Appointments Committee which enables members to play a full role in deciding which persons should be employed as the Council's most senior officers and to determine terms of employment. ➤ For officers, the Council's Pay Policy and reward structure, including authorisation procedures are in place. ➤ Established process for job evaluation and appeals procedures. 		
	<ul style="list-style-type: none"> ➤ Ensure that effective mechanisms exist to monitor service delivery 	<ul style="list-style-type: none"> ➤ Quarterly strategic performance and risk reporting. ➤ Independent inspections such as OFSTED and CQC. 	★	

Code of Corporate Governance

	<ul style="list-style-type: none"> ➤ Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated. 	<ul style="list-style-type: none"> ➤ The organisation has a Consultation Planning and Implementation Protocol, which clearly sets out how we deliver consultation in a consistent and meaningful way, whilst also being legally compliant. ➤ Dissemination, including through individual and team performance targets via the Performance Appraisal Scheme. ➤ Relating to the workforce as stakeholders: <ul style="list-style-type: none"> – Employee Engagement Strategy; – Trade Unions; – Consultation arrangements; – STAFFNET. 		
--	--	--	---	--

Code of Corporate Governance

	<ul style="list-style-type: none"> ➤ When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority. ➤ Ensure that there is clarity about the legal status of the partnership. ➤ Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions. 	<p>Appointments to outside bodies</p> <ul style="list-style-type: none"> ➤ The Council is one of a number of organisations that enter into partnerships with other public sector and with private sector organisations. It is represented on such partnership bodies by County Councillors and Officers, who must be formally appointed to them. The appointments process is what is called a “local choice function”, which means that it may be exercised by the Cabinet or the full Council; ➤ In line with the Secretary of State’s advice, the Cabinet will make appointments to those bodies with functions, which are its responsibility. Other appointments will be made by or on behalf of the full Council. 		
--	--	--	--	--

Code of Corporate Governance

		<ul style="list-style-type: none">➤ A list of all appointments to outside bodies is maintained by the Head of Democratic Services.		
--	--	--	--	--

Code of Corporate Governance**Core Principle 3**

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Supporting Principles	The County Council is required to:	Evidence that the Council complies with these requirements:	Compliant	R / A / G Actions for improvement (incl. timescales)
3.1 Ensuring authority Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	<ul style="list-style-type: none"> ➤ Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect. 	<ul style="list-style-type: none"> ➤ The Council has up to date <u>Members</u> and Employees Codes of Conduct. ➤ There are established procedures for investigating complaints about standards of conduct and behaviour. ➤ The Council has appointed three Independent Persons to assist the Monitoring Officer in dealing with complaints against members. ➤ Performance Appraisal Scheme. 		

Code of Corporate Governance

	<ul style="list-style-type: none"> ➤ Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority its partners and customers are defined and communicated clearly and through Codes of Conduct and Protocols. 	<ul style="list-style-type: none"> ➤ Members' / Employees' Codes of Conduct. ➤ Performance appraisal processes in place. ➤ <u>Anti-Fraud and Corruption Policy and Strategy</u> in place. ➤ Regular review/updates of the above codes/policies. ➤ Staff awareness briefings. 	★	
	<ul style="list-style-type: none"> ➤ Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and/or customers and put in place appropriate processes to ensure that they continue to operate in practice. 	<ul style="list-style-type: none"> ➤ Register of declaration of interests held for both Members and Officers. ➤ Procedures in place for dealing with conflicts of interest, defined within the Codes of Conduct. ➤ Registers of gifts and hospitality maintained. 	★	

Code of Corporate Governance

<p>3.2 Ensuring that organisational values are put into practice and are effective.</p>	<ul style="list-style-type: none"> ➤ Develop and maintain shared values including leadership values for both the organisation and staff reflecting customer / public expectations, and communicate these to members, staff, customers and partners. 	<ul style="list-style-type: none"> ➤ The Council Strategy sets out clear values for the organisation. ➤ As part of the annual appraisals, the Council's Leadership Skills and Behaviours are used to set and review performance and associated behaviours and to identify personal development needs. ➤ Leadership and Management Development which promotes and develops individuals' behaviours, capabilities and skills. ➤ Integration of organisational values in learning and development for all staff. ➤ Whistle blowing – confidential reporting procedures are in place and protect individuals raising concerns. 		
---	--	---	---	--

Code of Corporate Governance

		<ul style="list-style-type: none"> ➤ <u>Complaints procedures</u> are in place. 		
	<ul style="list-style-type: none"> ➤ Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice. 	<ul style="list-style-type: none"> ➤ Registers of Members and Staff Interests maintained by the Monitoring Officer. 	★	
	<ul style="list-style-type: none"> ➤ Develop and maintain an effective standards framework. 	<ul style="list-style-type: none"> ➤ The Council's Audit and Governance Committee's role is to promote, maintain and assist the achievement of high standards of conduct by County Councillors and co-opted members in accordance with the Council's Code of Conduct for Members. 	★	
	<ul style="list-style-type: none"> ➤ Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority. ➤ In pursuing the vision of a partnership, agree a set of values 	<ul style="list-style-type: none"> ➤ As part of annual appraisals, the Council's Leadership Skills and Behaviours are used to set and review performance and associated behaviours and to identify personal development needs. 	★	

Code of Corporate Governance

	<p>against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.</p>	<p>➤ Terms of Reference of Partnership Boards. The Council's Codes of Conduct to apply.</p>		
--	---	---	--	--

Code of Corporate Governance**Core Principle 4**

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Supporting Principles	The County Council is required to:	Evidence that the Council complies with these requirements:	Compliant R / A / G	Actions for improvement (incl. timescales)
4.1 Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.	<ul style="list-style-type: none"> ➤ Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation's performance overall, and that of any organisation for which it is responsible. 	<ul style="list-style-type: none"> ➤ The role of and responsibility for scrutiny have been established and detailed within the Council's Constitution. ➤ Agenda and minutes of scrutiny meetings which are publicly available. ➤ The position of Statutory Scrutiny Officer is identified in the job role of the Head of Democratic Services. Specific officers have been identified in the Democratic Services Unit to support scrutiny committees. 		

Code of Corporate Governance

		<ul style="list-style-type: none">➤ Gloucestershire's scrutiny principles acknowledged nationally as best practice.➤ Monitoring scrutiny recommendations after 6, 12 and 18 months.➤ Independent Challenge Team to support rigorous commissioning, review significant issues arising from performance, finance and risk monitoring, support transformational change, value for money and efficiencies and promote and support the development of a culture of challenge for all staff.➤ An effective internal audit function is resourced and maintained.	
--	--	--	--

Code of Corporate Governance

	<ul style="list-style-type: none"> ➤ Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based. 	<ul style="list-style-type: none"> ➤ The Council's Constitution clearly defines the decision-making requirements which include the recording, and if required, publication of decisions made and professional advice obtained, in reaching decisions. 		<p>Executive Decision Making The Monitoring Officer is currently developing a new approach to better decision making. This will include streamlining and clarifying the decision making process for staff while continuing to ensure the Council is making good decisions based on the principles of good governance.</p>
--	--	--	---	---

Code of Corporate Governance

	<ul style="list-style-type: none"> ➤ Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice. 	<ul style="list-style-type: none"> ➤ Members' and Officers' Codes of Conduct which refers to a requirement to declare interests. ➤ Reminder on all Committee agenda papers to declare interests. ➤ Minutes of meetings, showing declarations of interest were sought and appropriate declarations made. ➤ Members and Staff Registers of Interests maintained. 		
	<ul style="list-style-type: none"> ➤ Develop and maintain an effective Audit and Governance Committee, which is independent of the executive and scrutiny functions, or make other appropriate arrangements for the discharge of such a function. 	<ul style="list-style-type: none"> ➤ The Council's Audit and Governance Committee's Terms of Reference is to advise Council on the adequacy and effectiveness of the Council's corporate governance arrangements and internal control environment. 		

Code of Corporate Governance

		<ul style="list-style-type: none"> ➤ A self assessment as to their effectiveness undertaken against the CIPFA's Audit Committees – Practical Guidance for Local Authorities 2013. 		
	<ul style="list-style-type: none"> ➤ Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints. 	<ul style="list-style-type: none"> ➤ The Council has implemented a revised Customer Complaints Policy and procedure. Complaints information is shared with Overview Management Scrutiny Committee on a quarterly basis. 		<p>Complaints Policy During 2014/2015, an Internal Audit review identified further improvements to ensure the effective application of the complaints policy. Management accepted all recommendations and progress with their implementation will be monitored by Internal Audit.</p>

Code of Corporate Governance

<p>4.2 Having good quality information, advice and support to ensure that services are delivered effectively and are what the customer wants / needs.</p>	<p>➤ Ensure that those making decisions whether for the authority or the partnerships are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.</p>	<p>➤ Committee report templates require full consideration of key risks, impacts and opportunities.</p> <p>➤ Discussion/consultation between members and officers on the information needs of members to support decision making.</p> <p>➤ Support / training/guidance is provided to management, by the Executive Support Manager, to ensure that all decisions are made in accordance with the Council's Constitution and are supported by good quality documentation.</p> <p>➤ Internal Audit reviewed compliance with the Council's decision making processes during 2014/2015.</p>		<p>Refer to 4.1 bullet point 2 above</p>
---	---	---	---	--

Code of Corporate Governance

	<ul style="list-style-type: none"> ➤ Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately. 	<ul style="list-style-type: none"> ➤ Committee reports require formal sign off from relevant professional disciplines. ➤ Record of consultation, decision making and supporting rational is required under the Council's Constitution. ➤ Meeting reports provides details of advice given. 		
4.3 Ensuring that an effective risk management system is in place.	<ul style="list-style-type: none"> ➤ Ensure that risk management is embedded into the culture of the authority with members and managers at all levels recognising that risk management is part of their jobs. 	<ul style="list-style-type: none"> ➤ A <u>Corporate Risk Management Policy and Strategy</u> has been formally approved and adopted and is reviewed and updated on a regular basis. ➤ Risk Management principles and roles and responsibilities are clearly defined with the Council's Constitution (Financial Regulations). ➤ Strategic Risk Register is owned by CoMT. 		

Code of Corporate Governance

		<ul style="list-style-type: none"> ➤ External Audit annually reviews the effectiveness of risk management arrangements operating with the Council and report the outcome publicly. ➤ Risk Management is embedded into the day to day business systems and processes operating within the Council. 		
	<ul style="list-style-type: none"> ➤ Ensure that effective arrangements for whistle blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access. 	<ul style="list-style-type: none"> ➤ Whistleblowing arrangements are set out in the Employees Code of Conduct and on the Council's website. The Monitoring Officer is responsible for dealing with whistleblowing allegations. 	★	
4.4 Using their legal powers to the full benefit of stakeholders.	<ul style="list-style-type: none"> ➤ Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine, but also strive to utilise their powers to the full benefit of their stakeholders. 	<ul style="list-style-type: none"> ➤ Legal support is available to all service areas. ➤ Training provided to Officers. ➤ Awareness briefings are provided as required. 	★	

Code of Corporate Governance

		<ul style="list-style-type: none"> ➤ Monitoring Officer and Head of Legal Services review of all Cabinet and Cabinet Member reports prior to submission. 		
	<ul style="list-style-type: none"> ➤ Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on the authority by public law. 	<ul style="list-style-type: none"> ➤ Regular Legal updates. ➤ Council's web-pages. 	★	
	<ul style="list-style-type: none"> ➤ Observe all specific legislative requirements placed upon us, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into our procedures and decision making processes. 	<ul style="list-style-type: none"> ➤ Legal and Regulatory risk is one of the key categories of risk to be fully considered when delivering objectives. ➤ Guidance provided on decision making. ➤ Chief Executive, the Chief Financial Officer and Monitoring Officer sign off of all Cabinet reports. 	★	

Code of Corporate Governance

		<p>➤ Commissioning Board Papers are reviewed by the Head of Legal Services to be alerted to any potential unlawfulness.</p>		
--	--	---	--	--

Code of Corporate Governance**Core Principle 5****Developing the capacity and capability of Members and Officers to be effective.**

Supporting Principles	The County Council is required to:	Evidence that the Council complies with these requirements:	Compliant R / A / G ▲ ○ ★	Actions for improvement (incl. timescales)
5.1 Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles.	<ul style="list-style-type: none"> ➤ Provide induction programmes tailored to individual needs and opportunities for Members and Officers to update their knowledge on a regular basis. 	<ul style="list-style-type: none"> ➤ Staff Learning, Training, Induction and Development Programmes. ➤ The Council has put in place a Member Development Framework based around the Local Government Association Skills Framework. This is reviewed regularly at Group Leader meetings. ➤ Political awareness sessions provided to staff so that they are made aware of the Council's working arrangements under a Conservative minority administration. 	★	

Code of Corporate Governance

		<ul style="list-style-type: none"> ➤ Role descriptions incorporate knowledge and behaviour requirements. 		
	<ul style="list-style-type: none"> ➤ Ensure that the Statutory Officers have the skills, resources and support necessary to perform effectively in their roles and these roles are properly understood throughout the authority. 	<ul style="list-style-type: none"> ➤ The Council's Constitution clearly defines these statutory roles. ➤ Membership of the Corporate Management Team. ➤ Membership of national / regional peer groups. ➤ Leadership Development Programme. 	★	
5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	<ul style="list-style-type: none"> ➤ Assess the skills required by Members and Officers and make a commitment to develop those skills to enable roles to be carried out effectively. 	<ul style="list-style-type: none"> ➤ Workforce and Organisational Development Strategy includes activity on: <ul style="list-style-type: none"> ➤ Leadership development; ➤ Workforce planning and capability; ➤ Workforce engagement; 	★	

Code of Corporate Governance

		<ul style="list-style-type: none"> ➤ Performance and Reward. ➤ Ongoing Member development programme to ensure that members have the knowledge to undertake their roles effectively. 	
	<ul style="list-style-type: none"> ➤ Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed. 	<ul style="list-style-type: none"> ➤ Performance monitoring/appraisal process identifies skills gaps and future needs and Workforce and Organisational Development responds to these.. 	
	<ul style="list-style-type: none"> ➤ Ensure that effective arrangements are in place for reviewing the performance of the Executive as a whole and of individual Members and agreeing an action plan, which might, for example, aim to address any training or development needs. 	<ul style="list-style-type: none"> ➤ Officer performance appraisal systems. ➤ Development plans linked to performance appraisals. ➤ Appraisal process not appropriate for members as they are elected individuals. 	

Code of Corporate Governance

<p>5.3 Encouraging new talent at both Member and Officer level so that best use can be made of individuals' skills and resources in balancing continuity and renewal.</p>	<p>➤ Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.</p>	<p>➤ Workforce and Organisational Development Strategy, including activity on equality and diversity and leadership and management development.</p> <p>➤ As part of Grow Gloucestershire the council is committed to providing work experience placements/apprenticeships. This will enhance our commitment to young people in Gloucestershire and potentially contribute to developing a skilled workforce of the future.</p>		
---	---	--	---	--

Code of Corporate Governance

		<ul style="list-style-type: none">➤ National Graduate Development Programme (NGDP). The NGDP is a national, two year, high profile, general management development programme for high calibre graduates with the potential to become senior leaders. It is one of the Improvement and Development Agency's (IDeA) flagship national leadership programmes.➤ Peoples Panel in place with regular recruitment to ensure this panel is representative of the Community.➤ Consult Gloucestershire – Consultation Portal.➤ Information for prospective councillors published on GCC website.➤ Political parties actively involved in recruiting political candidates.	
--	--	--	--

Code of Corporate Governance

	<ul style="list-style-type: none"> ➤ Ensure that career structures are in place for Members and Officers to encourage participation and development. 	<ul style="list-style-type: none"> ➤ Workforce/Organisational Development Strategy. ➤ A member development programme is in place to help councillors in undertaking their roles. Support is provided to members on an individual basis if they need assistance on a particular issue. Officers across the authority are encouraged to attend council meetings and other events involving councillors to improve their political awareness. ➤ Career structures not appropriate for elected members. 		
--	---	--	---	--

Code of Corporate Governance**Core Principle 6**

Engaging with local people and other stakeholders to ensure robust public accountability.

Supporting Principles	The County Council is required to:	Evidence that the Council complies with these requirements:	Compliant R / A / G ▲ ○ ★	Actions for improvement (incl. timescales)
6.1 Exercising leadership through a robust and open scrutiny function which effectively engages local people and stakeholders, including partnerships and develops constructive accountability relationships.	<ul style="list-style-type: none"> ➤ Make clear to itself, all staff and the community to whom they are accountable and for what. 	<ul style="list-style-type: none"> ➤ The Council publishes an annual report on the activity of the scrutiny function. ➤ The Council's website records all Council meetings and key decisions. ➤ Group Leader meetings receive regular reports on scrutiny and working group activities. This ensures that the Leader of the Council, the leaders of the other political groups and the Chief Executive are kept fully informed about non-executive member activities. 		

Code of Corporate Governance

	<ul style="list-style-type: none"> ➤ Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required. 	<ul style="list-style-type: none"> ➤ The Council is recognised nationally as one of the leading scrutiny authorities and works closely with public sector partners. The Council was successful in winning the Centre for Public Scrutiny's 'Overall Impact' award in 2012 for its work with community representatives in examining the Environment Agency's proposals south of Gloucester. ➤ The Council has been shortlisted for the 2015 Centre for Public Scrutiny awards for the scrutiny review of the community impact of the pilot badger cull in West Gloucestershire. In October 2014, a group of members were invited to present the review's findings to the Rt Hon Elizabeth Truss MP at the Department for Environment, Food and Rural Affairs. 		
--	--	--	---	--

Code of Corporate Governance

	<ul style="list-style-type: none"> ➤ Publish an annual report on the activity of the scrutiny function. 	<ul style="list-style-type: none"> ➤ The Council publishes an annual report on the activity of the scrutiny function. ➤ The Council website provides records for meetings of full Council, Council committees and Cabinet meetings. Cabinet member decisions and significant officer decisions are also recorded on the website. 		
6.2 Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.	<ul style="list-style-type: none"> ➤ Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure they operate effectively. 	<ul style="list-style-type: none"> ➤ Consultation Planning and Implementation Protocol. ➤ People's panel. ➤ Consult Gloucestershire – Consultation Portal. ➤ Strategic Performance reports are produced on a quarterly basis. They incorporate financial and risk reporting. They are reported to both Cabinet and Scrutiny Committees and papers are publicly available. 		

Code of Corporate Governance

	<ul style="list-style-type: none"> ➤ Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands. 	<ul style="list-style-type: none"> ➤ Consultation Planning and Implementation Protocol. ➤ People's panel. ➤ The above, alongside risk assessments helps to inform the direction of resources. 		
	<ul style="list-style-type: none"> ➤ Establish a clear policy on the types of issues we will meaningfully consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result. 	<ul style="list-style-type: none"> ➤ Consultation Planning and Implementation Protocol. 		
	<ul style="list-style-type: none"> ➤ On an annual basis, publish a performance plan giving information on the authority's vision, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period. 	<ul style="list-style-type: none"> ➤ Council's Strategy is updated annually and informed by public consultation. Progress is monitored on a quarterly basis through strategic performance reports to the Cabinet Scrutiny Committees, which are publicly available. 		

Code of Corporate Governance

		<ul style="list-style-type: none"> ➤ Annual Statement of Accounts and Annual Governance Statement published which provides details on how the Council is directed and controlled. ➤ We undertake an annual satisfaction survey with Adult Social care Users, bi-annual survey with Carers and bi-annual online pupil survey. Analysis informs future commissioning intentions and service improvements. 		
	<ul style="list-style-type: none"> ➤ Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that the authority has made a commitment to openness and transparency in all its dealings including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so. 	<ul style="list-style-type: none"> ➤ The Council publishes an Annual Governance Statement in order to report how we have monitored the effectiveness of our governance arrangements in year and on any planned changes in the coming year. ➤ Freedom of Information Annual report published. ➤ Freedom of Information Act publication scheme. ➤ The Council's website. 	★	

Code of Corporate Governance

		<ul style="list-style-type: none"> ➤ Public Meetings. ➤ Whistle blowing – confidential reporting procedures are in place and protect individuals raising concerns. 		
6.3 Making best use of human resources by taking an active and planned approach to meet responsibilities to staff.	<ul style="list-style-type: none"> ➤ Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making. 	<ul style="list-style-type: none"> ➤ We undertake periodic staff surveys. ➤ HR policy requires all staff have regular supervision and an annual appraisal. ➤ Support provided for training and Continuing Professional Development Programmes. 		

Code of Corporate Governance**Monitoring & Review**

The governance arrangements in place will be monitored to ensure that they are adequate and operating effectively in practice, and will be subject to review on a periodic basis (at least annually).

The responsibility for arranging the review(s), providing oversight and robust challenge, is the Chief Executive, Director of Finance (s151) and the Monitoring Officer and when completed, the findings will be reported to the Audit and Governance Committee.

In addition, the Council will prepare an Annual Governance Statement (to be published alongside the annual accounts) to provide assurance that:

- the Council's governance arrangements are adequate and operating effectively in practice, or
- where the reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in future.

Monitoring the implementation of any agreed action plans emanating from the review(s) will be the responsibility of the relevant Directors.

An independent opinion on the control environment (comprising risk management, control and governance) will be provided by the Chief Internal Auditor and included within the Annual Governance Statement.

Meeting Statutory Obligations

Implementing Local Vision

Working together to achieve a common purpose

Adherence to Ethical Values

Meeting Organisational Objectives

Taking Informed and Transparent Decisions

Developing Members and Officers

Maintaining a Community Focus

Corporate Governance comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engaged with and, where appropriate, lead their communities.

Key Documents

- Constitution
- Council Strategy
- Scheme of Delegation
- Members and Officers Codes of Conduct
- Partnership Terms of Reference
- Consultation Planning & Implementation Protocol
- Commissioning Toolkit
- Communications Strategy
- Complaints Policy
- Workforce Organisational Development Strategy
- Medium Term Financial Strategy
- Statement of Accounts
- Annual Governance Statement
- Annual Performance Reports
- Commissioning/Delivery Business Plans
- Freedom of Information Publication Scheme
- Risk Management Strategy
- Strategic Risk Register
- Information Management and Security Policies
- Anti Fraud and Corruption Policy/Strategy
- Health and Safety Policy

Key Processes

- Audits/Inspections and assessments
- Financial Management Framework
- Corporate Governance Assurance Framework
- Information Governance Framework
- Partnership Protocols
- Gifts and Hospitality Registers
- Officer Employment Procedures Rules
- Member/Officer Relations
- Performance Management Framework
- Risk Management Framework
- Member and Officer Decision Making
- Declarations of Interests: Members and Officers
- Confidential reporting procedure (Whistleblowing)
- Health, Well-being and Safety processes
- Emergency Management/Business Continuity Arrangements
- Asset Management Planning
- Member/Officer Training
- Leadership and Staff appraisal processes
- Gloucestershire County Council Website
- Change Programme/Project Management

Key Roles/Functions

- Leader
- Cabinet
- Elected Members
- Committees
- Scrutiny
- Portfolio Holder/Group Spokespersons/Shadow Members
- Audit and Governance Committee
- Statutory Officers
- Head of Paid Service
- Monitoring Officer
- Chief Financial Officer (S151 officer)
- Corporate Management Team
- Commissioning Board
- Delivery Board
- Challenge Team
- Commercial Assurance Team
- Commercial Unit
- Heads of Service
- Partners
- Officers
- Internal Audit
- External Audit
- Other External Inspection Agencies
- Performance and Risk Managers, Finance, HR and Legal Teams