

# Statement of Accounts **2013-2014**



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# Foreword by Strategic Finance Director and Section 151 Officer

## 1 Introduction

Welcome to Gloucestershire County Council's Statement of Accounts for 2013/14. The Statement of Accounts reports the income and expenditure on service provision for the 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 31<sup>st</sup> March 2014, to enable them to understand the key issues without, necessarily, having to read all of the accounts in detail. It does this by providing an analysis of the budgeted and actual net expenditure for 2013/14 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*

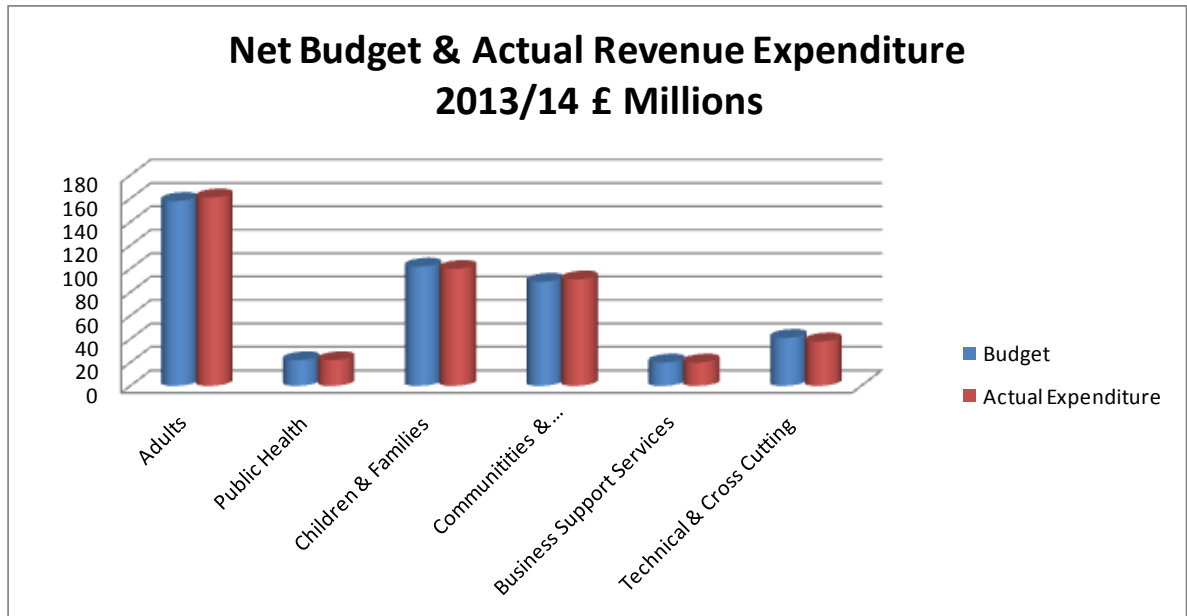
The approved budget for 2013/14 was £430.91 million which represented a decrease in cash terms (excluding Public Health, a service being transferred to the Council in year) of £15.4 million compared with 2012/13. Under this budget the level of Council Tax was again frozen for the third year running. Due to the receipt of Local Services Support Grant (LSSG) during 2013/14, our revenue budget for 2013/14 was subsequently increased by £0.90 million, giving a revised budget of £431.80 million.

The budget contained adequate provision to fund the increased costs of the care of older and vulnerable people, where the budget was again protected and slightly increased, and to cover other cost pressures including contractually committed inflation costs.

The cost of this additional investment, together with the loss of Government grant, was funded by savings of over £35 million, many of which are a continuation of "Meeting the Challenge" proposals that started in 2011. In total this takes the savings delivered in the three years 2011/12 to 2013/14 to over £100 million.

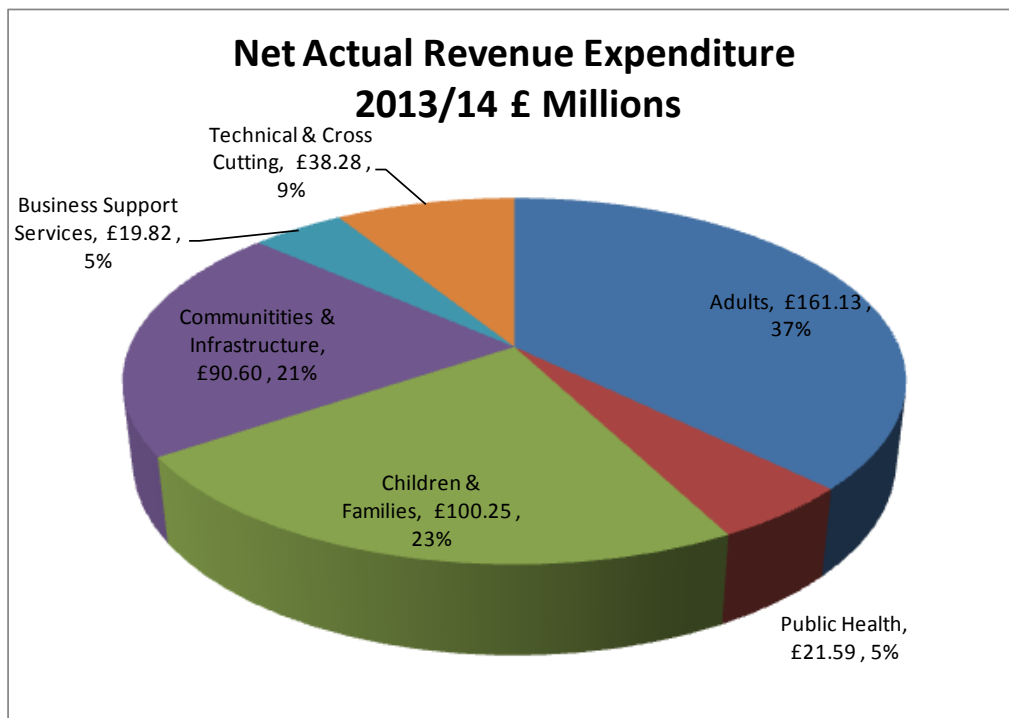
The revenue budget strategy for 2013/14 onwards has been to continue to maximise the delivery of efficiencies as early as possible. The Council is committed to robustly controlling budgets, has increased debt repayment and is continuing to streamline back office services, all of which contribute to protecting front line services, whilst minimising compulsory redundancies.

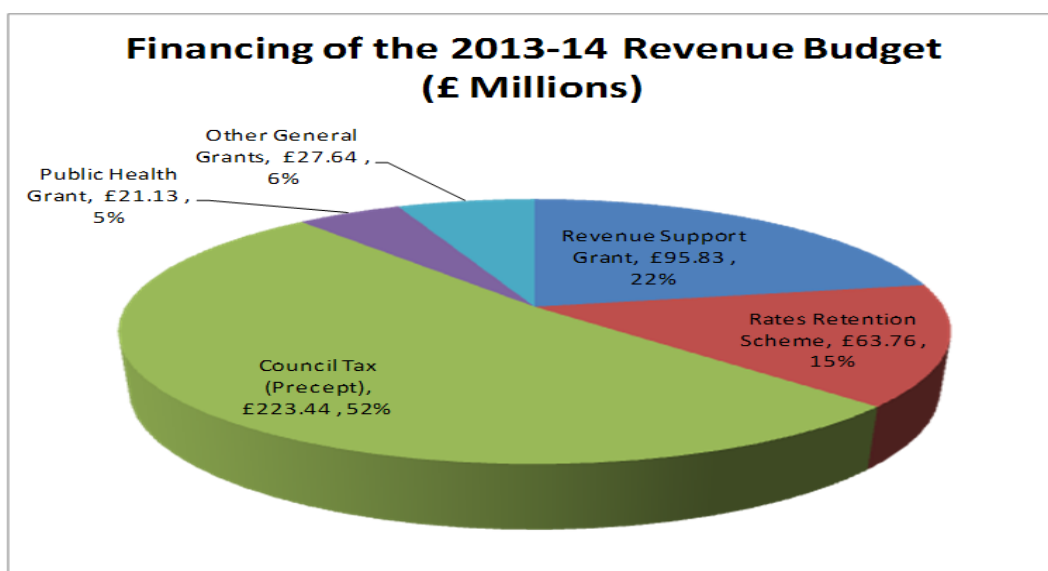
The final outturn position for the year against the revised budget is set out in the following table. Following net transfers from reserves of £5.3 million, as set out in detail in note 2 to the accounts, the 2013/14 budget was under spent by £127,000 or 0.03% of the budget. Net budget and expenditure by service area is shown in the first chart below.



Full details and explanations of the outturn position can be found on the Council's website at [www.gloucestershire.gov.uk](http://www.gloucestershire.gov.uk)

The outturn position for 2013/14 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 £35 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.





### 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 2013/14 are shown in note 2, with the summary position outlined below:

Type of Usable Reserves	Balance at 1 <sup>st</sup> April 2013 £000	Balance at 31 <sup>st</sup> March 2014 £000
Earmarked Revenue Reserves – Non Schools	91,344	84,087
Earmarked Reserves – Schools	23,278	25,103
General Fund Balances	19,721	19,848
Total Capital Reserves	63,781	54,653
<b>TOTAL USABLE RESERVES</b>	<b>198,124</b>	<b>183,691</b>

Overall total usable reserves reduced by £14.4 million during the year.

Non schools earmarked usable reserves have reduced by £7.2 million (8%) during the year from £91.34 million at the start of the year to £84.09 million at the end of the year.

Key movements in non school earmarked usable reserves in 2013/14 were :-

### Transfers Out

Full utilisation of the Corporate Initiative Reserve £3.2 million (Approved carry forward of underspends from 2012/13)

Utilisation of £2.5 million from the Insurance Reserve.

Utilisation of £2.5 million from the Transformation Reserve.

Utilisation of £1.3 million from the Revenue Grants & Contributions Reserve.

Utilisation of £1 million from the Impairment Reserve.

Utilisation of £0.5 million from the Economic Stimulus Reserve.

**Transfers In**

Creation of the Public Health Reserve of £2.3 million in accordance with guidance from the Department of Health.

Budgeted transfer to Strategic Waste Reserve of £1 million.

General Reserves totalled £19.85 million at the end of 2013/14, remaining at 4.6% of the net revenue budget for 2013/14, 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.

**Schools**

Total earmarked reserves relating to Schools increased by £1.8 million during the year.

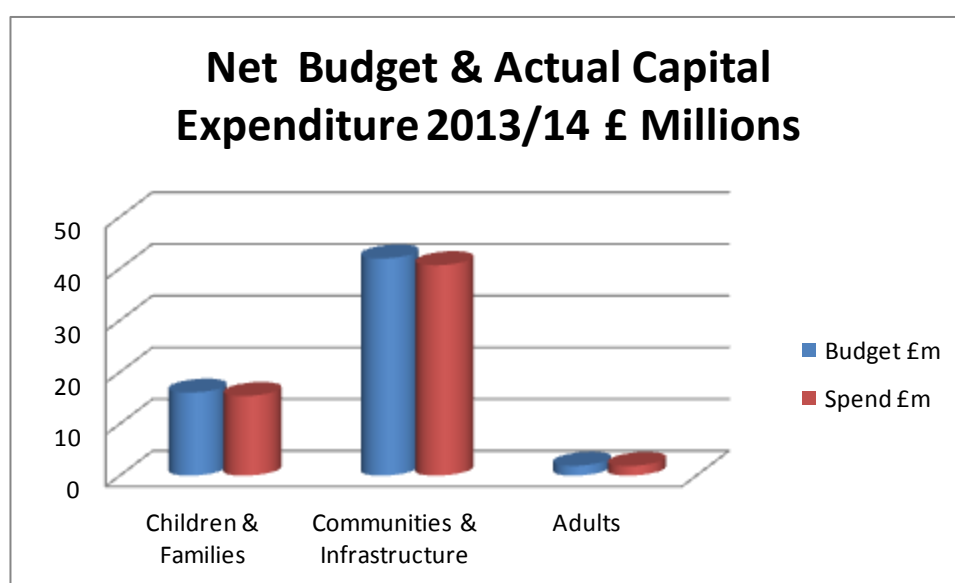
The key reason for this movement was an increase on School Balances of £2.3 million, largely due to higher revenue balances being held by schools within their delegated budgets. This increase is partly as a result of schools carrying forward unspent grants such as the pupil premium that are typically spent across an academic rather than financial year.

This was offset by a reduction in the Dedicated Schools Grant Reserve of £0.6 million, which was due to the planned use of balances to support the High needs SEN block of the DSG in 2013/14, offset by under spends within the Early Years and Schools blocks.

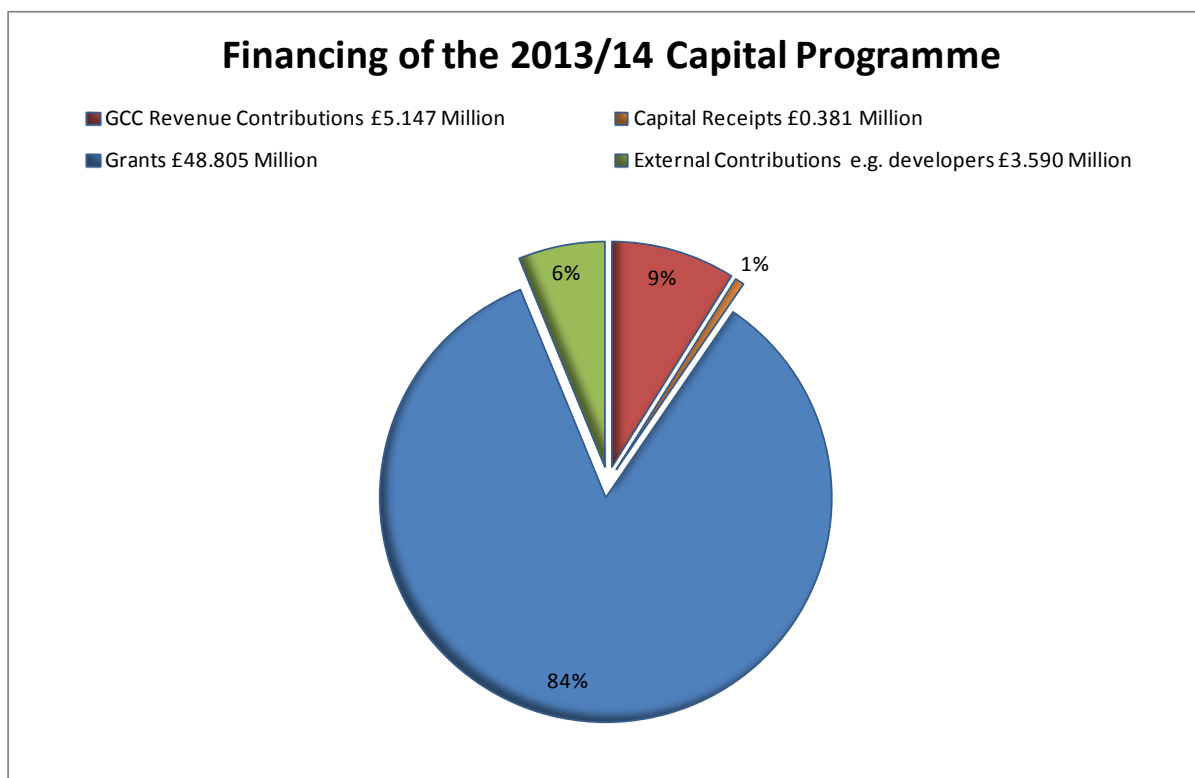
**3 Capital Budget and Outturn Position**

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 2013/14, avoiding the need for new borrowing.

Planned capital expenditure for 2013/14 totalled £59.9 million. Actual expenditure during the year was £57.9 million giving an in year under-spend compared with planned spend of £2.0 million. This is purely in year slippage which will be spent in 2014/15. Net actual expenditure by service area is shown in the following chart.



Full details and explanation of the capital outturn position can be found on the Council's website at [www.gloucestershire.gov.uk](http://www.gloucestershire.gov.uk)



The Government financial regulations require local authorities to charge a Minimum Revenue Provision (MRP) each year as a proxy for capital repayments. For 2013/14 the MRP for the Council was £15.321 million.

Debt redemption remains a priority of the Council. Debt outstanding at the end of 2013/14 was £353.8 million, a reduction of £42.8 million compared with the position at the end of 2012/13.

#### **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 9 to 21  
Accounting policies are used in preparing the accounting statements.
- Movement in Reserves Statement on pages 28 & 29
- Comprehensive Income & Expenditure Statement on page 30
- Balance Sheet position on page 31 setting out the Council's financial as at 31<sup>st</sup> March 2014
- Cash Flow Statement on page 32 summarising the inflows and outflows of cash
- Notes which summarise and provide further information on the financial activities of the Council on pages 33 to 82

- Gloucestershire Pension Fund Accounts are on pages 83 to 109, 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 110

The Strategic Finance Director (S151 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** shows the movement during the 2013/14 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 2013/14 is £26.4 million (a decrease of £14.4 million in useable reserves and a decrease of £12.0 million in unusable reserves).

**Comprehensive Income & Expenditure Statement (CIES)** 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 surplus on the provision of services for 2013/14 was £12.9 million which is shown in the movement in reserves statement. The restated surplus in 2012/13 was £27.9m. The reasons for this change are mainly due to the reduction of grant income, for both capital and revenue purposes, offset by a reduction in the reported loss on disposals of non current assets. This represents the accounting surplus on the provision of services in accordance with International Financial Reporting Standards (IFRS), not a surplus in funding raised over what has been spent, which has been explained earlier in this foreword.

The outturn under-spend/surplus of £127,000 represents the 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** shows the value of the assets and liabilities recognised by the council as at 31<sup>st</sup> March 2014. The balance sheet of the Council shows net assets of £125.3 million, which is matched by reserves (as set out in the movement in reserves statement). Although still a positive position, this represents a decrease of £30.897 million from 2012/13.

This decrease is largely due to an increase in the long term liabilities for defined benefit pension schemes of £50.5 million, 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. This is offset by a reduction in the long term liabilities relating to borrowing totalling £20.3 million following the redemption of debt in year, and an increase in short term assets totalling £8.6 million largely due to increased debtors and short term investment balances.

The closing balances for 2012/13 have been restated to reflect a reclassification of capital grants and contributions received during 2012/13 and revisions to IAS19 pension charges following revision to regulations. These changes are purely accounting restatements and have not affected the Council's financial standing. Further detail of these adjustments are provided in note 42.

The capital adjustment account has increased from £452.8 million on 31<sup>st</sup> March 2013 to £498.7 million on 31<sup>st</sup> March 2014, reasons for which are explained in note 14.

**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 16).

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 17). During the year the cash and cash equivalent fell from £70.7 million at the beginning of the year to £52.8 million at the end of the year. This reduction of £ 17.9 million in cash balances is largely due to the early repayment of a long term loan of £15 million in 2013/14 as explained in notes 15 to 17.

## 6 **Pension Liabilities**

The liability shown in connection with the defined benefit pension schemes has increased by 8.8%, from £581.6 million at the start of the year to £632.1 million at the year end, primarily due to actuarial re-measurement based on changed financial assumptions i.e. a reduced yield on corporate bonds and increased life expectancy. Further information can be found in Note 34.

## **7 Investment Activity & Borrowing**

During 2013/14 treasury management has been conducted according to the Policy Statement approved by the County Council in February 2013. In accordance with this strategy 187 short term investments were made during the year, at a value of £905.2 million. Total interest earned on in house deposits was £2.1 million. In addition the Council has over £20 million placed with an external fund manager.

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. Debt outstanding at the end of 2013/14 was £353.8 million, a reduction of £42.8 million compared with the position at the end of 2012/13.

## **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.gloucestershire.gov.uk](http://www.gloucestershire.gov.uk).

Our current Council Strategy covers the four year period of Meeting the Challenge 2011/12 to 2014/15. By the end of 2014/15, we will have delivered the vast majority of commitments we made in the original strategy. The Council is developing a new Strategy in tandem with the Medium Term Financial Strategy, focussing on the 3-year horizon of the new "Meeting the Challenge – Together we Can" initiative, 2015/16 to 2017/18.

Current funding forecasts and cost pressures indicate a financial gap of approximately £75 million over the period 2015/16 to 2017/18, which will need to be addressed via this initiative 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](mailto:john.kear@gloucestershire.gov.uk))

**Jo Walker**  
**Strategic Finance Director & Section 151 Officer**

## Statement of Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31<sup>st</sup> March 2014. The accounts have been prepared in accordance with the *Code of Practice on Local Council Accounting in the United Kingdom 2013/14* 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.

### 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 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.

### Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its introductory phase, which will last until April 2014. The Council is required to purchase and surrender allowances (£/tonne CO<sub>2</sub>), currently retrospectively, on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

### 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 two 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

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

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 loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are 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 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 an accumulated gains or losses previously recognised in the available for sale reserve. Where fair value cannot be measured reliably the instrument is carried as 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 2013/14 (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 property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

#### *Finance Leases- The Council as Lessee*

Property, Plant and Equipment 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 Property, Plant or Equipment – 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).

Property, Plant and Equipment 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 property, plant or equipment. 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**

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

*Recognition*

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

*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 property, plant and equipment 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 property, plant and equipment 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 Property, Plant and Equipment 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,
  - Externals (Drainage, roads, pavements, fences and external utility pipes), depreciate over 39 years.
- 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

*Community Schools:* The Council is normally the freeholder of Community School premises and has a significant role in the running of the school. The school premises are therefore recognised under Property, Plant and Equipment.

*Voluntary Controlled Schools:* Schools are owned by a charity but the Council is responsible for the running of the school, employing staff and setting and administering the admissions policy. The Council will sometimes own the freehold of the land and buildings, but the schools buildings are maintained and controlled by the respective charities and the Councils

only statutory duty is for the playing fields. The Council holds significant control over the assets and therefore both the land and buildings are recognised under Property, Plant and Equipment.

*Voluntary Aided Schools:* Schools are owned and managed by a charity but the Council partially funds and also provides support services to the school. Although the Council will sometimes own the freehold of the land and buildings, the schools buildings are maintained and controlled by the respective charities and the Council's only statutory duty is for the playing fields. These playing fields are recognised under Property, Plant and Equipment but the building element is not recognised by the Council.

*Foundation Schools:* Schools are owned and managed, including the provision of any support services, by the governing body, although funded by the Council. The Council is required to transfer all land and buildings including the playing fields to the Foundation School. The Council does not hold the land and buildings on the Balance Sheet.

*Academies:* Schools are owned and managed completely independently of the Council with funding 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.

## **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 property, plant and equipment 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 property, plant and equipment will pass to Council at the end of the contract. The Council carries the property, plant and equipment 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 property, plant and equipment is balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets. Property, plant and equipment 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 of Practice on Local Authority Accounting in the United Kingdom 2013/14 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 10 Consolidated Financial Statements – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council has reviewed the issue of control when reviewing joint working arrangements, and has determined that this standard has no impact on the 2013/14 statement of accounts.
- IFRS 11 Joint Arrangements – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no material joint venture arrangements.
- IFRS 12 Disclosures of Involvement with Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Council has a number of joint arrangements, however nothing significant to result in a group arrangement, therefore this standard does not apply and no amendments have been made to the accounts as a result.
- IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is no impact for the Council as a result of changes in IAS 27 and IAS 28.
- IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
- IAS 1 Presentation of the Financial Statements – The changes clarify the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the 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.
- The Council has money deposited with Icelandic banks that are in administration. The Council has followed LAAP 82 (as updated), and a separate note detailing expected repayments and the level of impairment is included in the notes to the accounts.

### **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 2013/14 gives a true and fair view of the financial position and Income and Expenditure accounts of Gloucestershire County Council and Gloucestershire Pension Fund for the year ended 31<sup>st</sup> March 2014.



**Jo Walker CPFA, Strategic Finance Director**  
**30<sup>th</sup> September 2014**

The Audit Committee of the County Council approved the Statement of Accounts on 30<sup>th</sup> September 2014.



**Councillor Nigel Robbins, Chairperson**  
**30<sup>th</sup> September 2014**



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

### **Opinion on the Authority financial statements**

We have audited the financial statements of Gloucestershire County Council for the year ended 31 March 2014 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 1 to 41. 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 2013/14.

This report is made solely to the members of Gloucestershire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Responsibilities, the Strategic Finance Director is responsible for the preparation of the Statement of Accounts, which includes the Authority 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, 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 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 2014 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 2013/14 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 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any 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.

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, 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 2014.

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 2013, 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 2014.

### **Certificate**

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.

Elizabeth Cave

Director

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

Hartwell House

55-61 Victoria Street

Bristol BS1 6FT

30 September 2014

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

### **Opinion on the pension fund financial statements**

We have audited the pension fund financial statements of Gloucestershire Pension Fund for the year ended 31 March 2014 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 2013/14.

This report is made solely to the members of Gloucestershire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010. 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 pension fund's financial statements 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 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 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 financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on other matters**

In our opinion, the information given in the pension fund annual report 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 report to you if, in our opinion the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We have nothing to report in this respect.

### **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 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Elizabeth Cave

Director

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

Grant Thornton UK LLP

55-61 Victoria Street

Bristol BS1 6FT

30 September 2014

# **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
<b>Balance at 31st March 2012 carried forward</b>	<b>-18,497</b>	<b>-102,965</b>	<b>-</b>	<b>-2,721</b>	<b>-124,183</b>	<b>-75,495</b>	<b>-199,678</b>
<b><u>Movement in reserves during 2012/13</u></b>							
Surplus (-) or Deficit on Provision of Services	-27,910	-	-	-	-27,910	-	-27,910
Other Comprehensive Expenditure and Income	-	-	-	-	-	71,373	71,373
<b>Total Comprehensive Expenditure and Income</b>	<b>-27,910</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-27,910</b>	<b>71,373</b>	<b>43,463</b>
Adjustments between accounting basis & funding basis under regulations (Note 1)	-46,031	-	-	-	-46,031	46,031	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-73,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-73,941</b>	<b>117,404</b>	<b>43,463</b>
Transfers to/from Earmarked Reserves	72,717	-11,657	-	-61,060	-	-	-
<b>Increase/Decrease in 2012/13</b>	<b>-1,224</b>	<b>-11,657</b>	<b>-</b>	<b>-61,060</b>	<b>-73,941</b>	<b>117,404</b>	<b>43,463</b>
<b>Balance at 31st March 2013</b>	<b>-19,721</b>	<b>-114,622</b>	<b>-</b>	<b>-63,781</b>	<b>-198,124</b>	<b>41,909</b>	<b>-156,215</b>

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	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
<b>Balance at 31st March 2013 carried forward</b>	-19,721	-114,622		-63,781	-198,124	41,909	-156,215
<b><u>Movement in reserves during 2013/14</u></b>							
Surplus (-) or Deficit on Provision of Services	-12,884	-	-	-	-12,884	-	-12,884
Other Comprehensive Expenditure and Income	-	-	-	-	-	43,781	43,781
<b>Total Comprehensive Expenditure and Income</b>	<b>-12,884</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-12,884</b>	<b>43,781</b>	<b>30,897</b>
Adjustments between accounting basis & funding basis under regulations (Note 1)	27,317	-	-	-	27,317	-27,317	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>14,433</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,433</b>	<b>16,464</b>	<b>30,897</b>
Transfers to/from Earmarked Reserves	-14,560	5,432	-	9,128	-	-	-
<b>Increase/Decrease in 2013/14</b>	<b>-127</b>	<b>5,432</b>	<b>-</b>	<b>9,128</b>	<b>14,433</b>	<b>16,464</b>	<b>30,897</b>
<b>Balance at 31st March 2014</b>	<b>-19,848</b>	<b>-109,190</b>	<b>-</b>	<b>-54,653</b>	<b>-183,691</b>	<b>58,373</b>	<b>-125,318</b>

# Comprehensive Income and Expenditure Statement

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

Restated 31 <sup>st</sup> March 2013			31 <sup>st</sup> March 2014		
Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
<b>Gross Expenditure, Gross Income and Net Expenditure of Continuing Operations</b>					
2,882	-1,489	1,393	4,720	-2,764	1,956
8,696	-1,125	7,571	9,544	-993	8,551
29,541	-2,651	26,890	28,318	-2,277	26,041
3,560	-1,813	1,747	3,072	-969	2,103
378,403	-303,327	75,076	363,038	-275,045	87,993
59,066	-5,983	53,083	61,271	-10,686	50,585
-69	-365	-434	476	-356	120
248,689	-85,459	163,230	254,385	-77,942	176,443
26,232	-5,005	21,227	25,488	-4,412	21,076
-	-	-	19,691	-21,452	-1,761
6,496	-18	6,478	6,106	-400	5,706
2,134	-155	1,979	10,236	-96	10,140
7,606	-4,316	3,290	9,105	-5,490	3,615
1,465	-	1,465	879	-	879
774,701	-411,706	362,995	<b>796,329</b>	<b>-402,882</b>	<b>393,447</b>
378	-	378	410	-	410
59,337	-	59,337	8,818	-	8,818
59,715	-	59,715	<b>9,228</b>	<b>-</b>	<b>9,228</b>
17,905	-	17,905	18,695	-	18,695
-	-	-	-	-	-
-25	-	-25	-	-	-
23,904	-	23,904	25,897	-	25,897
-	-1,999	-1,999	-	-2,117	-2,117
41,784	-1,999	39,785	<b>44,592</b>	<b>-2,117</b>	<b>42,475</b>
<b>Financing and Investment Income and Expenditure</b>					
-	-	-	-	-	-
<b>Profit or Loss on Discontinued Operations</b>					
-	-95,184	-95,184	-	-42,339	-42,339
-	-246,999	-246,999	-	-226,474	-226,474
-	-128,700	-128,700	-	-65,642	-65,642
-	-2,495	-2,495	-	-99,494	-99,494
-	-15,124	-15,124	-	-22,080	-22,080
-	-1,903	-1,903	-	-2,005	-2,005
-	-490,405	-490,405	-	<b>-458,034</b>	<b>-458,034</b>
876,200	-904,110	-27,910	<b>850,149</b>	<b>-863,033</b>	<b>-12,884</b>
<b>Surplus (-) or Deficit on Provision of Services</b>					
1,731	-	1,731	9,081	-	9,081
32	-	32	88	-	88
69,610	-	69,610	34,613	-	34,613
71,373	-	71,373	<b>43,782</b>	<b>0</b>	<b>43,782</b>
<b>Other Comprehensive Income and Expenditure</b>					
947,573	-904,110	43,463	<b>893,931</b>	<b>-863,033</b>	<b>30,898</b>
<b>Total Comprehensive Income and Expenditure</b>					



## 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'.

<b>Restated As at 1<sup>st</sup> April 2013 £'000</b>		<b>Notes</b>	<b>As at 31<sup>st</sup> March 2014 £'000</b>
941,445	Property Plant and Equipment	3	934,168
894	Heritage Assets	3	894
2,307	Assets under Construction	3	3,562
216	Intangible Assets	5	255
5,592	Long Term Investments	6	5,000
1,277	Long Term Debtors	6	2,344
<b>951,731</b>	<b>Long Term Assets</b>		<b>946,223</b>
122,441	Short Term Investments	6	139,362
2,272	Assets held for Sale	11	768
452	Landfill Allowance Trading Scheme		-
1,154	Inventories	7	1,639
39,188	Short Term Debtors	9	50,178
70,707	Cash and Cash Equivalents	10 & 18	52,844
<b>236,214</b>	<b>Current Assets</b>		<b>244,791</b>
-452	Landfill Allowance Trading Scheme		-
-50,034	Short Term Borrowing	6	-49,866
-57,967	Short Term Creditors & Revenue Receipts in Advance	13	-58,418
-6,836	Short Term Provisions	12	-5,055
-18,344	Capital Grants and Contributions Receipts in Advance	26	-18,098
-7,928	Provision for Accumulated Absences	14	-10,916
<b>-141,561</b>	<b>Current Liabilities</b>		<b>-142,353</b>
-2,648	Deferred Liability	39	-2,618
-1,581	Long Term Provisions	12	-4,619
-304,331	Long Term Borrowing	6	-284,005
-581,609	Liability Related to Defined Benefit Pension Scheme	34	-632,101
<b>-890,169</b>	<b>Long Term Liabilities</b>		<b>-923,343</b>
<b>156,215</b>	<b>Net Assets</b>		<b>125,318</b>
	<b>Usable Reserves</b>		
63,781	Capital Grants & Contributions Unapplied Reserve	2	54,653
19,721	General Fund Balance	2	19,848
114,622	Earmarked Reserves	2	109,190
<b>198,124</b>			<b>183,691</b>
	<b>Unusable Reserves</b>		
-7,928	Short Term Accumulated Absences Account	14	-10,916
452,767	Capital Adjustment Account	14	498,746
97,810	Revaluation Reserve	14	88,443
1,987	Collection Fund Adjustment Account	14 & 40	2,326
-210	Available for Sale Revaluation Reserve	14	-298
-4,726	Financial Instrument Adjustment Account	14	-4,573
-581,609	Defined Pension Fund Reserve	34	-632,101
<b>-41,909</b>			<b>-58,373</b>
<b>156,215</b>	<b>Total Reserves</b>		<b>125,318</b>

## 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 2012/13 £'000		2013/14 £'000
-27,910	Net Surplus (-) or Deficit on the Provision of Services	-12,884
-111,923	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements (note 15)	-55,537
106,234	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities (note 15)	51,068
-33,599	Net Cash Flows from Operating Activities	<b>-17,353</b>
71,937	Investing Activities (Note 16)	14,529
6,410	Financing Activities (Note 17)	20,687
44,748	Net Increase or Decrease in Cash and Cash Equivalents	<b>17,863</b>
-115,455	Cash and Cash Equivalents at the beginning of the reporting period	-70,707
-70,707	<b>Cash and Cash Equivalents at the end of the reporting period (Note 10)</b>	<b>-52,844</b>

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# 1. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2012/13 ( Restated)	Usable Reserves		Restated Capital Grants Un-applied Reserve	Movement in Unusable Reserves
	Restated General Fund Balance	Capital Receipts Reserve		
	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	-43,382	-	-	43,382
Capital grants and contributions applied	33,114	-	-	-33,114
Movement in the Donated Assets Account	1,159	-	-	-1,159
Revenue expenditure funded from capital under statute	-18,269	-	-	18,269
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	-59,337	-	-	59,337
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Voluntary Provision for financing of Capital Investment	4,663	11,000	-	-4,663
Statutory Provision for the financing of Capital Investment	17,155	-	-	-17,155
Capital expenditure charged against the General Fund Balance	23,020	-	-	-23,020
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-11,053	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	53	-	-
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-94,174	94,174
Application of grants and contributions to capital financing transferred to capital adjustment account	-	-	33,114	-33,114
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
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
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-5,966	-	-	5,966
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	-156	-	-	156
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,815	-	-	-1,815
<b>Total Adjustments</b>	<b>-46,031</b>	<b>-</b>	<b>-61,060</b>	<b>107,091</b>

2013/14

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Un-applied Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment 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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
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
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
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		-
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve</b>				
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement			-43,267	43,267
Application of grants and contributions to capital financing transferred to capital adjustment account			52,395	-52,395
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
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
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-15,879			15,879
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	340			-340
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
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
<b>Total Adjustments</b>	<b>27,317</b>	<b>-</b>	<b>9,128</b>	<b>-36,445</b>

## 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 2013/14.

<b>Earmarked Revenue Reserves</b>	<b>Balance at 31<sup>st</sup> March 2013</b>	<b>Transfers Out 2013/14</b>	<b>Transfers In 2013/14</b>	<b>Balance at 31<sup>st</sup> March 2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital Fund	16,030	-375	-	15,655
Insurance Fund	11,298	-11,685	9,263	8,876
Supporting People	1,734	-1,734	1,930	1,930
Public Health	0	0	2,267	2,267
County Elections	637	-576	217	278
Vehicle & Plant Replacement	110	-	-	110
Fire Service Pensions	227	-100	-	127
Strategic Waste Reserve	13,577	-	1,000	14,577
Corporate Initiatives	3,230	-3,230	-	0
Fire Joint Training Centre	1,075	-10	120	1,185
Adoption Reserve	1,000	-	-	1,000
Education Funding Risk Reserve	1,000	-	-	1,000
Rates Retention Reserve	1,900	-	149	2,049
Invest to Save	4,697	-110	279	4,866
Transformation Reserve	10,440	-2,563	132	8,009
Impairment Reserve	3,006	-1,000	-	2,006
Economic Stimulus Reserve	9,418	-1,899	1,431	8,950
Fire PFI Reserve - GFRS	1,465	-	533	1,998
Revenue Grant Reserves	9,983	-8,574	7,284	8,693
Other Reserves	517	-36	30	511
	<b>91,344</b>	<b>-31,892</b>	<b>24,635</b>	<b>84,087</b>
<b>Schools Related</b>				
School Balances	16,687	-16,687	18,999	18,999 *
Dedicated Schools Grant Reserve	6,119	-6,119	5,590	5,590
Other Schools Related	472	-273	315	514
	<b>23,278</b>	<b>-23,079</b>	<b>24,904</b>	<b>25,103</b>
<b>Total</b>	<b>114,622</b>	<b>-54,971</b>	<b>49,539</b>	<b>109,190</b>
<b>General Fund Balances</b>	<b>19,721</b>		<b>127</b>	<b>19,848</b>
<b>Total Revenue Reserves</b>	<b>134,343</b>	<b>-54,971</b>	<b>49,666</b>	<b>129,038</b>

<b>Earmarked Capital Reserves</b>	<b>Restated Balance at 31<sup>st</sup> March 2013</b>	<b>Transfers Out 2013/14</b>	<b>Transfers In 2013/14</b>	<b>Balance at 31<sup>st</sup> March 2014</b>
<b>Capital Grant &amp; Contributions Res</b>	<b>63,781</b>	<b>-52,395</b>	<b>43,267</b>	<b>54,653</b>
<b>Capital Receipts Reserve</b>	<b>0</b>	<b>-8,729</b>	<b>8,729</b>	<b>0</b>
<b>Total Capital Reserves</b>	<b>63,781</b>	<b>-61,124</b>	<b>51,996</b>	<b>54,653</b>

<b>Total Useable Reserves</b>	<b>198,124</b>	<b>-116,095</b>	<b>101,662</b>	<b>183,691</b>
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\* Please note 6 Schools became independent Academies in 2013/14 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.

### **Supporting People**

Established to support the future costs associated with the Supporting People Initiative within Social Care.

### **Public Health**

Following the transfer of Public Health Services in April 2013/14, a new ring fenced reserve has been established in accordance with grant conditions to hold any unused balances from the 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.

### **Impairment Reserve**

Specific Reserve set up to support any possible losses associated with Icelandic Investments.

### **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, carryforward to support future years expenditure.

### **Dedicated Schools Grant Reserve**

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

### **Capital Grant & Contributions Reserve**

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

### **Rates Retention Reserve**

A reserve of £1.9m was agreed by the Council in February 2013, reflecting a potential funding shortfall in business rate income.

**A more detailed explanation of reserve movements is included within the formal revenue and capital expenditure outturn report considered by Cabinet 11th June 2014 which can be found on the Council's website [www.gloucestershire.gov.uk](http://www.gloucestershire.gov.uk)**

### 3. Property, Plant and Equipment

#### Movements in 2013/14:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Heritage Assets	<b>Total Property, Plant and Equipment</b>	PFI Assets included in PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	<b>£'000</b>	£'000
<b>Gross book value at 31st March 2013</b>	657,187	30,355	534,834	-	18,270	2,307	894	<b>1,243,847</b>	25,315
Additions	9,970	3,007	34,027		-97	-		<b>46,907</b>	43
Donations	110	170						<b>280</b>	-
Revaluation increases/ decreases (-)	-2,280	-	-		80	-		<b>-2,200</b>	
Derecognition – disposals	-17,337	-5,127			-38			<b>-22,502</b>	
Assets reclassified to (-) / from Held for Sale	-757							<b>-757</b>	
Other movements in cost or valuation						1,255		<b>1,255</b>	
<b>Gross book value at 31<sup>st</sup> March 2014</b>	<b>646,893</b>	<b>28,405</b>	<b>568,861</b>	<b>-</b>	<b>18,215</b>	<b>3,562</b>	<b>894</b>	<b>1,266,830</b>	<b>25,358</b>
<b>Accumulated Depreciation and Impairment as at 1st April 2013</b>	-87,225	-17,452	-193,788	-	-736	-		<b>-299,201</b>	-1,386
Depreciation charge	-9,266	-4,971	-19,602		-123			<b>-33,962</b>	-988
Derecognition – disposals	1	4,956	-	-	-	-		<b>4,957</b>	-
<b>At 31<sup>st</sup> March 2014</b>	<b>-96,490</b>	<b>-17,467</b>	<b>-213,390</b>	<b>-</b>	<b>-859</b>	<b>-</b>	<b>-</b>	<b>-328,206</b>	<b>-2,374</b>
<b>Net book value at 31<sup>st</sup> March 2014</b>	<b>550,403</b>	<b>10,938</b>	<b>355,471</b>	<b>-</b>	<b>17,356</b>	<b>3,562</b>	<b>894</b>	<b>938,624</b>	<b>22,984</b>



## 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 Councils covered were Forest of Dean and Cotswold. In addition all fire stations 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.

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 31<sup>st</sup> March 2014. The valuations have been undertaken by qualified valuers, consistent with the current accounting policy.

### • Temporary Buildings

Temporary buildings are included at historical cost and are depreciated over their expected life.

### • 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 1<sup>st</sup> 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. Investment Properties

Investment property is property (land or a building, or part of a building, or both) held solely to earn rental or for capital

- (a) Use in the production or supply of goods or services or for administrative purposes; or
- (b) Sale in the ordinary course of operations.

The Council does not currently hold any investment properties.

## 5. 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:

	2012/13		2013/14	
	Internally Generated Assets £'000	Other Assets £'000	Internally Generated Assets £'000	Other Assets £'000
Balance at start of year:				
Gross carrying amounts	-	281	-	216
Amortisation for the period	-	-65	-	-65
Other changes	-	-	-	104
<b>Net carrying amount at end of year</b>	<b>-</b>	<b>216</b>	<b>-</b>	<b>255</b>

## 6. 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	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
<b>Financial Assets</b>				
<b>Investments</b>				
Loans and receivables	593		148,745	146,270
Available-for-sale financial assets	5,000	5,000	35,052	40,108
Unquoted equity investment at cost	-		-	
<b>Total Investments</b>	<b>5,593</b>	<b>5,000</b>	<b>183,797</b>	<b>186,378</b>
<b>Debtors</b>				
Financial assets at amortised cost	1,277	2,344	25,528	33,797
<b>Included in Long and Short Term Debtors*</b>	<b>1,277</b>	<b>2,344</b>	<b>25,528</b>	<b>33,797</b>
<b>Total Financial Assets</b>				
	<b>6,870</b>	<b>7,344</b>	<b>209,325</b>	<b>220,175</b>

\* 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).

### Financial Liabilities

	Long Term		Current	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
<b>Borrowings</b>				
Borrowings at amortised cost	282,388	262,525	49,603	49,403
<b>Total Borrowings</b>	<b>282,388</b>	<b>262,525</b>	<b>49,603</b>	<b>49,403</b>
<b>Lease Liabilities</b>				
PFI liabilities at amortised cost	21,943	21,502	430	463
<b>Total other long term liabilities</b>	<b>21,943</b>	<b>21,502</b>	<b>430</b>	<b>463</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	-	-	63,238	63,141
<b>Included in Short Term Creditors*</b>	<b>-</b>	<b>-</b>	<b>63,238</b>	<b>63,141</b>
<b>Total Financial Liabilities</b>				
	<b>304,331</b>	<b>284,027</b>	<b>113,271</b>	<b>113,007</b>

\* 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**

	2012/13					2013/14			
	Financial Liabilities at amortised cost £'000	Financial Assets: Loans and Receivables £'000	Financial Assets: Available for Sale £'000	Total £'000		Financial Liabilities at amortised cost £'000	Financial Assets: Loans and Receivables £'000	Financial Assets: Available for Sale £'000	Total £'000
Interest expense	17,905	-	-	17,905		18,695	-	-	18,695
Impairment adjustments	-	-25	-	-25		-	-	-	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>17,905</b>	<b>-25</b>	<b>-</b>	<b>17,880</b>		<b>18,695</b>	<b>-</b>	<b>-</b>	<b>18,695</b>
Interest income	-	-1,501	-252	-1,753		-	-1,944	-173	-2,117
Interest income accrued on impaired financial assets	-	-246	-	-246		-	-	-	0
Gains on derecognition	-	-	0	0		-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>-1,747</b>	<b>-252</b>	<b>-1,999</b>		<b>-</b>	<b>-1,944</b>	<b>-173</b>	<b>-2,117</b>
Losses on revaluation	-	-	32	32		-	-	88	88
<b>Surplus or deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>32</b>		<b>-</b>	<b>-</b>	<b>88</b>	<b>88</b>
<b>Net loss/gain(-) for the year</b>	<b>17,905</b>	<b>-1,772</b>	<b>-220</b>	<b>15,913</b>		<b>18,695</b>	<b>-1,944</b>	<b>-85</b>	<b>16,666</b>

## 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 2013		31 <sup>st</sup> March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Long term loans (investments)	5,593	5,593	5,000	5,000
Long-term debtors (loans for service purposes)	1,242	1,277	2,344	2,344
<b>Financial Assets</b>	<b>6,835</b>	<b>6,870</b>	<b>7,344</b>	<b>7,344</b>

### 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 set at close of business on 31<sup>st</sup> 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 2013		31 <sup>st</sup> March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB - maturity, fixed rate	275,390	361,658	270,352	331,387
PWLB - maturity, variable rate	15,027	15,026	0	0
Lender option borrower option (LOBO) loans	41,574	42,491	41,576	40,134
Finance leases (PFI projects)	22,373	34,072	21,943	33,685
<b>Financial Liabilities</b>	<b>354,364</b>	<b>453,247</b>	<b>333,871</b>	<b>405,206</b>

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 31<sup>st</sup> 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.

## 7. Inventories

	2012/13 £'000	2013/14 £'000
<b>Maintenance Materials</b>		
Balance outstanding at start of the year	928	1,154
Purchases	3,369	4,167
Stock used within the year	-3,143	-3,682
<b>Balance outstanding at year-end</b>	<b>1,154</b>	<b>1,639</b>

## 8. 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 significant would be valued at £3m or above.

At 31<sup>st</sup> March 2013 the Council has entered in to a contract for the major refurbishment of Maidenhill School in 2012/13 and future years budgeted to cost £3.54 million.

A 25 year contract was signed with Urbaser Balfour Beatty on 22nd February 2013 to deliver a residual waste treatment service. The capital value is estimated at approximately £190 million. This commitment only crystallises when satisfactory planning permission is achieved.

A £3,911,744 contract was signed on the 31st January 2014, for the relocation of Watermoor Primary to a 1 form of entry site.

The Council has a capital commitment of £7.5m for the Fastshire project (see note 20), which is reflected in the capital programme from 2014/15.

## 9. Debtors

	2012/13 £'000	2013/14 £'000
Central Government Bodies	6,442	6,705
Other Local Authorities	3,213	11,306
NHS Bodies	3,451	7,536
Public Corporations and Trading Funds	5,415	181
Other Entities and Individuals	20,667	24,450
<b>Total</b>	<b>39,188</b>	<b>50,178</b>

## 10. Cash and Cash Equivalents

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

	2012/13 £'000	2013/14 £'000
Cash held by the Council, including schools	9,351	5,828
Cash held in call/money market accounts with same day access	61,356	47,016
Cash Equivalents - investments maturing within 3 months	-	-
<b>Total Cash and Cash Equivalents</b>	<b>70,707</b>	<b>52,844</b>

## 11. Assets Held for Sale

	2012/13 £'000	2013/14 £'000
<b>Balance outstanding at start of year</b>	<b>152</b>	<b>2,272</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	4,532	757
Assets sold	-2,412	-2,261
<b>Balance outstanding at year-end</b>	<b>2,272</b>	<b>768</b>

## 12. Provisions

	Short Term Liabilities	Long Term Liabilities	Balance at 1 <sup>st</sup> April 2013	Applications	Additions	Amounts Written off in Year	Balance at 31 <sup>st</sup> March 2014	Short Term Liabilities	Long Term Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance Fund	-4,083	-1,046	-5,129	4,254	-7,106		-7,981	-5,055	-2,926
Adults:									
Community Equipment Liabilities		-200	-200				-200		-200
Communities & Infrastructure:									
GSWBP Land Claims		-148	-148	16			-132		-132
Contracts	-159		-159	159	-665		-665		-665
LATS	-7		-7	7			0		
Lease Dilapidations		-88	-88		-12		-100		-100
Children & Families:									
Pension Strain Costs		-29	-29				-29		-29
Lease Dilapidations	-58		-58	58			0		
General:									
Pension Strain & Redundancy costs	-1,997		-1,997	1,990	-301		-308		-308
Carbon Reduction Programme Allowances	-504		-504	504	-105		-105		-105
Retained Fire Fighters Liabilities	-27		-27	12			-15		-15
LAMS Scheme Liabilities		-70	-70		-69		-139		-139
<b>Total</b>	<b>-6,835</b>	<b>-1,581</b>	<b>-8,416</b>	<b>7,000</b>	<b>-8,258</b>	<b>0</b>	<b>-9,674</b>	<b>-5,055</b>	<b>-4,619</b>
Employee Accrual - IAS19 accumulated absences	-7,928	-	-7,928		-2,988		-10,916	-10,916	-
<b>Total</b>	<b>-7,928</b>	<b>-</b>	<b>-7,928</b>	<b>-</b>	<b>-2,988</b>	<b>0</b>	<b>-10,916</b>	<b>-10,916</b>	<b>-</b>

### 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 2013/14 but who will not be leaving the Council until 2014/15.

### 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. This provision therefore is an estimated cost for the procurement of the appropriate allowances for 2013/14.

### 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 2013/14 but will not be settled until 2014/15

**13. Creditors & Revenue Receipts in Advance**

	2012/13 £'000	2013/14 £'000
Central Government Bodies	7,989	9,584
Other Local Authorities	5,879	2,266
NHS Bodies	3,861	6,630
Public Corporations and Trading Funds	249	85
Other Entities and Individuals	39,989	39,853
<b>Total</b>	<b>57,967</b>	<b>58,418</b>

**14. 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 1<sup>st</sup> 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.

	2012/13 £'000	2013/14 £'000
<b>Balance at 1<sup>st</sup> April</b>	122,673	97,810
Upward revaluation of assets	-	64,439
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	-1,732	-73,519
Accumulated gains on assets sold or scrapped	-23,131	-287
<b>Balance at 31<sup>st</sup> March</b>	<b>97,810</b>	<b>88,443</b>

**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.

	2012/13 £'000	2013/14 £'000
<b>Balance at 1<sup>st</sup> April</b>	-178	-210
Change in year end valuation	-32	-88
<b>Balance at 31<sup>st</sup> March</b>	<b>-210</b>	<b>-298</b>

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> 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.

	2012/13 £'000	2013/14 £'000
<b>Balance at 1<sup>st</sup> April</b>	471,513	452,767
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	-43,344	-29,299
Amortisation of intangible assets	-65	-65
Revaluation losses on Property, Plant and Equipment		
Revenue expenditure funded from capital under statute	-18,269	-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	-70,389	-17,546
Adjusting amounts written out of the Revaluation Reserve	23,131	287
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	53	381
RCCO applied to capital financing	23,020	6,397
Voluntary Provision for financing of Capital Investment	15,663	27,527
Statutory Provision for the financing of Capital Investment	17,155	15,322
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	33,114	52,395
Donated Assets	1,159	280
Other	26	
<b>Balance at 31<sup>st</sup> March</b>	<b>452,767</b>	<b>498,746</b>



**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 2012/13 £'000	2013/14 £'000
<b>Balance at 1<sup>st</sup> April</b>	-506,033	-581,609
Actuarial gains or losses (-) on pensions assets and liabilities	-69,610	-34,613
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	-5,966	-15,879
Firefighters injury awards	-	-
<b>Balance at 31<sup>st</sup> March</b>	<b>-581,609</b>	<b>-632,101</b>

**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.

	2012/13 £'000	2013/14 £'000
<b>Balance at 1<sup>st</sup> April</b>	2,143	1,987
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.	-156	339
<b>Balance at 31<sup>st</sup> March</b>	<b>1,987</b>	<b>2,326</b>

**Accumulated Absences Account**

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

	2012/13 £'000	2013/14 £'000
<b>Balance at 1<sup>st</sup> April</b>	-9,743	-7,928
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.	1,815	-2,988
<b>Balance at 31<sup>st</sup> March</b>	<b>-7,928</b>	<b>-10,916</b>

**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.

	2012/13 £'000	2013/14 £'000
<b>Balance at 1<sup>st</sup> April</b>	-4,879	-4,726
Adjustments with the General Fund relating to the total of deferred premiums/discounts:		
Net write down	153	153
<b>Balance at 31<sup>st</sup> March</b>	<b>-4,726</b>	<b>-4,573</b>

## 15 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:

	2012/13 £'000	2013/14 £'000
Depreciation/Impairment/Reversal of Impairment charged to CIES	-43,344	-29,299
Amortisation	-65	-65
Impairment loss/gain on Loans & advances debited to surplus or deficit on the provision of services in year	24	0
Increase/Decrease in Interest Creditors	69	190
Increase/Decrease in Creditors	7,712	-777
Increase/Decrease in Interest and Dividend Debtors	-1,678	453
Increase/Decrease in Debtors	1,736	11,121
Increase/Decrease in Inventories	226	485
Movement in Pension Liability	-5,966	-15,879
Contributions to/(from) Provisions	-285	-4,245
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-70,389	-17,547
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	34	26
	<b>-111,926</b>	<b>-55,537</b>

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

	2012/13 £'000	2013/14 £'000
Amount carried forward from a) above	-111,926	-55,537
Capital Grants credited to surplus or deficit on the provision of services	95,184	42,339
Proceeds from the sale of property plant and equipment, investment property and intangible assets	11,053	8,729
Net surplus - / deficit on the provision of services	-27,910	-12,884
<b>Net cash flows from operating activities</b>	<b>-33,599</b>	<b>-17,353</b>

The cash flows for operating activities include the following items:

	2012/13 £'000	2013/14 £'000
Interest received	-3,677	-1,644
Interest paid	17,836	18,505
	<b>14,159</b>	<b>16,861</b>

## 16. Cash Flow Statement – Investing Activities

	2012/13 £'000	2013/14 £'000
Purchase of property, plant and equipment, investment property and intangible assets	39,407	48,565
Purchase of short-term and long-term investments	315,216	874,019
Other payments for investing activities	1,200	1,050
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-11,053	-8,729
Proceeds from short-term and long-term investments	-230,535	-858,143
Other receipts from investing activities	-42,298	-42,233
<b>Net cash flows from investing activities</b>	<b>71,937</b>	<b>14,529</b>

## 17. Cash Flow Statement – Financing Activities

	2012/13 £'000	2013/14 £'000
Cash receipts of short and long term borrowing	0	-5520
Appropriation to/from Collection Fund Adjustment Account	-156	340
Repayments of short-term and long-term borrowing	5,000	25,383
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,566	484
<b>Net cash flows from financing activities</b>	<b>6,410</b>	<b>20,687</b>

## 18. Movement in Net Debt

	2012/13 £'000	2013/14 £'000	Movements in year £'000
Movement In Cash Balances			
Imprest Accounts	170	142	-28
Cash At Bank	9,181	5,686	-3,495
Cash Equivalents investments	61,356	47,016	-14,340
<b>Net Cash</b>	<b>70,707</b>	<b>52,844</b>	<b>-17,863</b>
Financing & Liquid Resources	-227,702	-189,783	37,919
<b>Net Debt</b>	<b>-156,995</b>	<b>-136,939</b>	<b>20,056</b>

# 19. Amounts Reported for Resource Allocation Decisions

## Service Information for the year ended 31<sup>st</sup> March 2013

	Children & Families	Adults	Communities & Infrastructure	Strategy & Challenge/ Business Support Services	Technical & Corporate	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	-15,707	-73,816	-9,805	-8,152	-2,185	-109,665
Government Grants	-285,089	-11,653	-6,418	-29	-40	-303,229
<b>Total Income</b>	<b>-300,796</b>	<b>-85,469</b>	<b>-16,223</b>	<b>-8,181</b>	<b>-2,225</b>	<b>-412,894</b>
Employee Expenses	228,741	29,197	33,920	25,658	2,431	319,947
Other Operating Expenses	143,208	195,896	78,314	8,192	60,909	486,519
Support Service Recharges	8,530	6,697	4,258	-22,546	3,061	-
<b>Total Operating Expenses</b>	<b>380,479</b>	<b>231,790</b>	<b>116,492</b>	<b>11,304</b>	<b>66,401</b>	<b>806,466</b>
<b>Net Cost of Services</b>	<b>79,683</b>	<b>146,321</b>	<b>100,269</b>	<b>3,123</b>	<b>64,176</b>	<b>393,572</b>
<b>Council Approved Budget</b>	<b>87,468</b>	<b>146,349</b>	<b>96,633</b>	<b>3,123</b>	<b>59,999</b>	<b>393,572</b>
<b>Declared Outturn Position</b>	<b>-7,785</b>	<b>-28</b>	<b>3,636</b>	<b>0</b>	<b>4,177</b>	<b>0</b>

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

	£'000
Cost of Services in Service Analysis	393,572
Add Technical Accounting Adjustments	9,586
Removal of amounts reported to management but not included in the Comprehensive Income and Expenditure Statement.	-40,163
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>362,995</b>

# Restated Reconciliation to Subjective Analysis

2012/13

	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	-109,665			-109,665		-109,665
Surplus or deficit on associates or joint ventures				-		-
Interest and Investment income			1,999	1,999	-1,999	-
Income from Council Tax				-	-246,999	-246,999
Government Grants and Contributions	-303,229	-811		-304,040	-148,222	-452,262
Capital Grants and Contributions				-	-95,184	-95,184
<b>Total Income</b>	<b>-412,894</b>	<b>-811</b>	<b>1,999</b>	<b>-411,706</b>	<b>-492,404</b>	<b>-904,110</b>
Employee Expenses	319,947	-18,214		301,733		301,733
Other Service Expenses	486,519	-33,040	-23,904	429,575	23,904	453,479
Support Service Recharges	0			-		-
Depreciation, Amortisation and Impairment		43,382		43,382		43,382
Revenue expenditure funded from capital under statute		18,269		18,269		18,269
Interest Payments			-17,905	-17,905	17,905	-
Precepts & Levies			-378	-378	378	-
Gain or Loss on Disposal of fixed Assets				-	59,337	59,337
Impairment of Investments			25	25	-25	-
<b>Total Operating Expenses</b>	<b>806,466</b>	<b>10,397</b>	<b>-42,162</b>	<b>774,701</b>	<b>101,499</b>	<b>876,200</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>393,572</b>	<b>9,586</b>	<b>-40,163</b>	<b>362,995</b>	<b>-390,905</b>	<b>-27,910</b>

**Service Information for the year ended 31<sup>st</sup> March 2014**

	<b>Children &amp; Families</b>	<b>Adults</b>	<b>Public Health</b>	<b>Communities &amp; Infrastructure</b>	<b>Strategy &amp; Challenge/ Business Support Services</b>	<b>Technical &amp; Corporate</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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 Council Tax Income						-1,680	-1,680
<b>Total Income</b>	<b>-273,685</b>	<b>-77,667</b>	<b>-21,452</b>	<b>-19,995</b>	<b>-8,515</b>	<b>-5,775</b>	<b>-407,089</b>
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	-
<b>Total Operating Expenses</b>	<b>373,938</b>	<b>238,794</b>	<b>21,919</b>	<b>111,260</b>	<b>10,656</b>	<b>61,063</b>	<b>817,630</b>
<b>Net Cost of Services</b>	<b>100,253</b>	<b>161,127</b>	<b>467</b>	<b>91,265</b>	<b>2,141</b>	<b>55,288</b>	<b>410,541</b>
<b>Council Approved Budget</b>	<b>101,774</b>	<b>158,209</b>	<b>467</b>	<b>89,887</b>	<b>2,636</b>	<b>57,695</b>	<b>410,668</b>
<b>Declared Outturn Position - Surplus</b>	<b>-1,521</b>	<b>2,918</b>	<b>0</b>	<b>1,378</b>	<b>-495</b>	<b>-2,407</b>	<b>-127</b>

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

	<b>£'000</b>
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
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>393,447</b>

# 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		0	-226,474	-226,474
Government Grants and Contributions	-291,541	406	4	-291,131	-187,216	-478,347
Capital Grants and Contributions				0	-42,339	-42,339
Fire Pensions Top Up Grant				0	-2,005	-2,005
<b>Total Income</b>	<b>-407,089</b>	<b>2,086</b>	<b>2,121</b>	<b>-402,882</b>	<b>-460,151</b>	<b>-863,033</b>
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	0			-		-
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			0	0	0	-
<b>Total Operating Expenses</b>	<b>817,630</b>	<b>23,701</b>	<b>-45,002</b>	<b>796,329</b>	<b>53,820</b>	<b>850,149</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>410,541</b>	<b>25,787</b>	<b>-42,881</b>	<b>393,447</b>	<b>-406,331</b>	<b>-12,884</b>



## 20. Pooled Budgets & Partnership Working

The Council is involved with three 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 Primary Care Trust to jointly commission mental health 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. '2gether' NHS Foundation Trust provide these services to the partnership. Previously the Council had a partnership agreement with '2gether' NHS Foundation Trust to provide these services.

In 2013/14 the Council's share of the gross expenditure of the partnership was £7.64m (£6.74m in 2012/13), gross income was £0.53m (£0.39m in 2012/13) and the Council's contribution was £7.11m (£6.35m in 2012/13).

### 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. '2gether' NHS Foundation Trust provide these services to the partnership. Previously the Council had a partnership agreement with the Primary care trust for the provision of these services. In 2013/14 the gross expenditure of the partnership was £4.6m (£4.3m in 2012/13), gross income was nil (nil in 2012/13) and the Council's contribution was £3.4m (£3.3m in 2012/13).

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

In 2013/14 the gross expenditure of the partnership was £4.6m (£4.4m in 2012/13), gross income was nil (nil in 2012/13) and the Council's contribution was £1.7m (£1.6m in 2012/13).

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 2013/14 the gross expenditure of the partnership was £3.1m, gross income was nil and the Council's contribution was £1.1m.

## Fastshare

Fastshare 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, and Broadband Delivery UK (BDUK), a government agency.

The Council has committed £7.5 million to the project, which is reflected in the Council's approved capital programme for 2014/15 and 2015/16. This level of funding has been matched by government contributions.

Herefordshire Council is lead authority for this project. 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.

## 21. Acquired and Discontinued Operations

The Council acquired responsibility for Public Health operations from the NHS in April 2013. There were no discontinued operations during 2013/14.

**22. 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 2012/13 and 2013/14 are as follows:

**2012/13**

	<b>Salary, Fees and Allowances</b>	<b>Compensation for loss of Office</b>	<b>Other Taxable Benefits</b>	<b>Employer's Pension Contributions</b>	<b>Total</b>
	£	£	£	£	£
Deputy Chief Executive <sup>(1)</sup>	80,137	-	-	-	<b>80,137</b>
Director of Law & Administration <sup>(2)</sup>	92,814	-	-	22,182	<b>114,996</b>
Commissioning Director: Communities & Infrastructure	92,814	-	13	22,182	<b>115,009</b>
Director: Strategy & Challenge <sup>(2)</sup>	95,881	-	3	22,915	<b>118,799</b>
Commissioning Director: Children & Families	103,114	-	-	24,644	<b>127,758</b>
Director: Strategic Finance	103,114	-	2	24,644	<b>127,760</b>
Commissioning Director: Adults	103,114	-	82	24,644	<b>127,840</b>
Chief Fire Officer & Operations Director	120,146	-	-	25,591	<b>145,737</b>
Chief Operating Officer	133,562	-	8	31,921	<b>165,491</b>
Chief Executive: Mr P Bungard	161,235	-	80	38,535	<b>199,850</b>
	<b>1,085,931</b>	<b>-</b>	<b>188</b>	<b>237,258</b>	<b>1,323,377</b>

**(1)** The Deputy Chief Executive works 22.2 hours per week. The whole time equivalent salary for 2012/13 is £133,562.

**(2)** The Director: Strategy & Challenge took over as Monitoring Officer from the Director of Law & Administration during the year.

**2013/14**

	<b>Salary, Fees and Allowances</b>	<b>Compensation for loss of Office</b>	<b>Other Taxable Benefits</b>	<b>Employer's Pension Contributions</b>	<b>Total</b>
	£	£	£	£	£
Deputy Chief Executive <sup>(1)</sup>	80,137	-	-	-	<b>80,137</b>
Director of Law & Administration <sup>(2)</sup>	15,980	84,782	-	3,979	<b>104,741</b>
Commissioning Director: Communities & Infrastructure	95,881	-	-	23,874	<b>119,755</b>
Director: Strategy & Challenge	95,881	-	-	23,874	<b>119,755</b>
Commissioning Director: Children & Families	114,183	-	-	28,432	<b>142,615</b>
Director: Strategic Finance	114,183	-	10	28,432	<b>142,625</b>
Commissioning Director: Adults	114,183	-	3	28,432	<b>142,618</b>
Chief Fire Officer & Operations Director <sup>(3)</sup>	100,479	-	-	21,402	<b>121,881</b>
Chief Fire Officer & Operations Director <sup>(3)</sup>	11,800	-	-	2,513	<b>14,313</b>
Chief Operating Officer	133,562	-	-	33,257	<b>166,819</b>
Chief Executive: Mr P Bungard	161,235	-	-	23,531	<b>184,766</b>
	<b>1,037,504</b>	<b>84,782</b>	<b>13</b>	<b>217,726</b>	<b>1,340,025</b>

**(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.

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 31<sup>st</sup> March 2014, not just an employee's gross salary.

Remuneration band	Total Number of Employees			
	2012/13		2013/14	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	48	43	63	42
£55,000 - £59,999	47	23	37	16
£60,000 - £64,999	16	13	21	18
£65,000 - £69,999	4	6	6	3
£70,000 - £74,999	3	6	4	7
£75,000 - £79,999	5	-	5	1
£80,000 - £84,999	3	2	3	3
£85,000 - £89,999	1	1	-	4
£90,000 - £94,999	-	2	-	-
£95,000 - £99,999	-	4	-	6
£100,000 - £104,999	-	3	-	2
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	-	-	-	3
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	-	2	-	-
£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
<b>Total</b>	<b>127</b>	<b>107</b>	<b>139</b>	<b>107</b>

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 and Foundation schools have not been included.

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:

**2012/13**

<b>Exit package cost band (including special payments)</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages in each band £</b>
£0 - £20,000	68	101	169	725,215
£20,001 - £40,000	8	14	22	672,902
£40,001 - £60,000	8	6	14	672,463
£60,001 - £80,000	-	1	1	77,132
£80,001 - £100,000	1	1	2	168,799
£100,001 - £150,000	-	1	1	141,763
Accruals/Provision	-	-	94	2,139,722
<b>Total</b>	<b>85</b>	<b>124</b>	<b>303</b>	<b>4,597,996</b>

**2013/14**

<b>Exit package cost band (including special payments)</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages in each band £</b>
£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	347,262
£80,001 - £100,000	-	3	3	277,491
£100,001 - £150,000	-	1	1	101,269
£150,001 - £200,000	-	1	1	191,098
Accruals/Provision	-	-	-	628,646
<b>Total</b>	<b>82</b>	<b>51</b>	<b>133</b>	<b>3,711,109</b>

The total cost of £3,711,109 in the table above includes £628,646 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 £300,941.

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.

## 23. 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.gloucestershire.gov.uk](http://www.gloucestershire.gov.uk)

	2012/13 £'000	2013/14 £'000
Basic Allowances	554	475
Special Responsibility Allowances	252	237
Travel & Subsistence Allowances	26	28
<b>Total</b>	<b>832</b>	<b>740</b>

## 24. 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:

	2012/13 £'000	2013/14 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	119	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	3	0
<b>Total</b>	<b>125</b>	<b>134</b>

## 25. 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 2013/14 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2013/14 before academy recoupment			387,371
Academy figure recouped for 2013/14			-151,476
Total DSG after academy recoupment for 2013/14			235,895
Plus: Brought forward from 2012/13			6,119
Less: Carry forward to 2014/15 agreed in advance			-
Agreed initial budgeted distribution in 2013/14	66,691	175,323	242,014
In Year Adjustments	-	-	-
Final budget distribution for 2013/14	66,691	175,323	242,014
Less: Actual central expenditure	61,101	-	61,101
Less: Actual ISB deployed to schools	-	175,323	175,323
Plus: Local Authority contribution for 2013/14	-	-	-
Carry Forward to 2014-15	<b>5,590</b>	<b>-</b>	<b>5,590</b>

**26. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14.

**Credited to Taxation and Non Specific Grant Income**

	2012/13 £'000	2013/14 £'000
Revenue Support Grant	-2,495	-99,494
National Non Domestic Rates Grant	-128,670	-65,642
Non Service Related Grants	-15,154	-22,080
Fire Pensions Top Up Grant	-1,903	-2,005
<b>Total</b>	<b>-148,222</b>	<b>-189,221</b>

**Revenue Grants Credited to Services**

	2012/13 £'000	2013/14 £'000
Department for Work & Pensions - Workstep Grant	0	-3
Department for Children's Schools & Families Grants	-28,900	-11,398
Department for Children's Schools & Families - Dedicated Schools Grant	-242,258	-235,895
Department of Health Grants	-11,653	-21,573
Community & Local Government Grants	-1,668	-6,125
Youth Justice Board Grant	-765	-645
Young Peoples Learning Agency Grants	-7,876	-2,787
Other Grants	-10,893	-9,210
Skills Funding Agency	-27	-3495
<b>Total</b>	<b>-304,040</b>	<b>-291,131</b>

	2012/13 £'000	2013/14 £'000
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Account	-95,184	<b>-42,339</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year-end are as follows:

**Capital Grants Receipts in Advance**

	2012/13 £'000	2013/14 £'000
Department for Transport Grants	-89	-89
Department for Children's Schools and Families Specific	0	0
Department for Communities and Local Government	0	0
Other Capital Grants	0	0
Non Government Contributions for Capital purposes	-5,526	-6,167
Highways Section 106 Contributions	-12,729	-11,842
<b>Total</b>	<b>-18,344</b>	<b>-18,098</b>

## 27. 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 19 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2014 are shown in Note 26.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 23. 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 £10.3m (£12.9m in 2012/13) was held in the Pension Fund accounts for 2013/14 gaining interest of £0.057m. (£0.073m in 2012/13). The Council charged £1.26m (£1.31m in 2012/13) for administering the Pension Fund. At 31st March 2014, the Council owed the Pension Fund £149.3k (£67.8k in 2012/13) and was owed £290.7k (£0k in 2012/13) 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 (BPHA).

The Council is entitled to appoint one independent trustee to the Board of GCP and under the Articles of Association the Council must always have less than 20% of the voting rights. 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 2013/14 payments of £16.9m (£17.4m in 2012/13) were made to the Order of St John Care Trust in relation to this contract. £1.5m was outstanding at the year end (2012/13 £1.3m).

There is a contractual arrangement between the Council and the Brandon Trust for the provision of Learning Disabilities Services. In 2013/14 payments of £10.6m (£10.7m in 2012/13) were made to the Brandon Trust, with a further £0.4m collected as client contributions (£0.4m in 2012/13).

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. 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 this partnership. The gross expenditure in 2013/14 of the partnership was £496,000, with the council's contribution to this being £274,000.



## 28. 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.

	2012/13 £'000	2013/14 £'000
<b>Opening Capital Financing Requirement</b>	416,026	396,608
Property, Plant and Equipment	37,954	48,223
Revenue Expenditure Funded from Capital under Statute	18,269	9,700
	56,223	<b>57,923</b>
PFI Assets on Balance Sheet	13,400	
<b>Total to Finance</b>	69,623	<b>57,923</b>
<b>Sources of finance</b>		
Capital Receipts	-53	-381
Government Grants and other Contributions	-33,114	-52,395
Direct Revenue Contributions	-23,056	-5,147
	-56,223	<b>-57,923</b>
MRP	-17,155	-15,321
Capital Receipts applied against debt	-11,000	-8,348
VRP	-4,663	-19,179
<b>Total revenue provision</b>	-32,818	<b>-42,848</b>
<b>Closing Capital Financing Requirement</b>	396,608	<b>353,760</b>
<b>Explanation of movements in year</b>		
Increase/decrease (-) in underlying need to borrowing	-32,818	-42,848
Assets acquired under PFI/PPP contracts	13,400	-
<b>Increase/Decrease (-) in Capital Financing Requirement</b>	-19,418	<b>-42,848</b>

**Capital Expenditure 2013/14**

	<b>£'000</b>	<b>%</b>
<b>Adults</b>	<b>1,863</b>	<b>3%</b>
<b>Children &amp; Families</b>	<b>15,385</b>	<b>27%</b>
<b>Communities &amp; Infrastructure</b>		
Infrastructure	34,876	
Enabling & Transition	3,283	
Libraries & Archives	76	
Fire & Rescue	1,961	
	<b>40,196</b>	<b>69%</b>
<b>Capital Receipts Expenditure</b>	<b>479</b>	<b>1%</b>
	<b>57,923</b>	<b>100%</b>

**29. 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 2013/14

**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
<b>2012/13</b>			
Property	631	1,854	1,740
Vehicles:			
Fire Service	206	44	-
Other Services	301	443	5
Officer contract car-hire	89	88	-
	<b>1,227</b>	<b>2,429</b>	<b>1,745</b>
<b>2013/14</b>			
Property	668	1,787	2,322
Vehicles:			
Fire Service	29	16	0
Other Services	239	299	26
Officer contract car-hire	49	65	0
	<b>985</b>	<b>2,167</b>	<b>2,348</b>

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:

	2012/13 £'000	2013/14 £'000
Property	734	764
Vehicles:		
Fire Service	400	204
Other Services	351	318
Officer Contract car-hire	126	89
	<b>1,611</b>	<b>1,375</b>

**Council as Lessor****Finance Leases (IAS 17)**

The Council has looked at all leases (including those that terminated at 31st March 2014) 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:

	<b>Expiry date of lease</b>		
	<b>Within 1 year</b>	<b>After 1 year but less than 5 years</b>	<b>After more than 5 years</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2012/13</b>			
Property	2,387	8,940	14,144
	<b>2,387</b>	<b>8,940</b>	<b>14,144</b>
<b>2013/14</b>			
Property	2,076	7,661	12,004
	<b>2,076</b>	<b>7,661</b>	<b>12,004</b>

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

	<b>2012/13</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Property	2,471	2,129
	<b>2,471</b>	<b>2,129</b>

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.

### 30. Private Finance Initiatives and Similar Contracts

#### Fire Service Joint Training Centre PFI Scheme

2013/14 was the eleventh 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 31<sup>st</sup> March 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

		Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
		£'000	£'000	£'000	£'000
2012/13					
£'000					
638	Paid in 2013/14	392	123	138	653
	<b>Outstanding undischarged contract obligations:</b>				
654	Payable within one year	402	132	136	670
2,782	Payable within two to five years	1,711	641	499	2,851
3,883	Payable within six to ten years	2,387	1,146	446	3,979
4,387	Payable within eleven to fifteen years	2,131	1,270	151	3,552
-	Payable within sixteen to twenty years*	-	-	-	-
11,706	<b>Total</b>	<b>6,631</b>	<b>3,189</b>	<b>1,232</b>	<b>11,052</b>

\* There are fourteen 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:

	2012/13 £'000	2013/14 £'000
Balance outstanding at start of year	1,612	1,558
Payments during the year	-54	-25
<b>Balance outstanding at year-end</b>	<b>1,558</b>	<b>1,533</b>

The asset value held as at the 31<sup>st</sup> March each year were:

	2012/13 £'000	2013/14 £'000
Opening Net Book Value	1,674	1,576
Depreciation	-105	-105
Additions	7	41
<b>Balance</b>	<b>1,576</b>	<b>1,512</b>

**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 31<sup>st</sup> March 2014 (including an estimation of inflation and excluding estimations of availability/performance deductions) are as follows:

		<b>Payment for Services</b>	<b>Reimbursement of Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
2012/13					
£'000					
3,131	Paid in 2013/14	899	464	1,847	<b>3,210</b>
	<b>Outstanding undischarged contract obligations:</b>				
3,210	Payable within one year	921	557	1,811	<b>3,289</b>
13,661	Payable within two to five years	3,921	3,247	6,834	<b>14,002</b>
19,087	Payable within six to ten years	5,478	6,668	7,419	<b>19,565</b>
21,595	Payable within eleven to fifteen years	6,198	10,005	5,933	<b>22,136</b>
24,433	Payable within sixteen to twenty years	7,012	13,918	4,114	<b>25,044</b>
23,290	Payable within twenty-one to twenty-five years	5,049	11,845	1,137	<b>18,031</b>
-	Payable within twenty-six to thirty years*	-	-	-	-
105,276	<b>Total</b>	<b>28,579</b>	<b>46,240</b>	<b>27,248</b>	<b>102,067</b>

\* There are twenty-four and a quarter 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:

	2012/13 £'000	2013/14 £'000
Balance outstanding at start of year	8,882	20,816
Payments during the year	-1,466	0
Capital expenditure incurred in the year	13,400	-405
<b>Balance outstanding at year-end</b>	<b>20,816</b>	<b>20,411</b>

The asset value held as at the 31<sup>st</sup> March each year were:

	2012/13 £'000	2013/14 £'000
Opening Net Book Value	8,905	22,352
Depreciation	-883	-883
Additions	13,400	2
Revaluation	930	0
<b>Closing Balance</b>	<b>22,352</b>	<b>21,471</b>

#### 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 2013/14.

### 31. 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.

### 32. Termination Benefits

The Council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £3.7m (£4.6m in 2012/13). Note 22 provides details of the number of exit packages and total cost per band.

### 33. 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 2013/14, the Council paid £12.6m to the Teachers' Pensions Agency (TPA) in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £13.8m 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 34.

These additional benefits, including unfunded compensation, are paid directly by the Council for retirements up to 1999 (£3.0m) and via the TPA for retirements post 1999 (£1.2m). Together these additional benefits costs totalled £4.2m in 2013/14 representing 4.7% of pensionable pay.

On 1 April 2013 public health staff and services were transferred from primary care trusts (PCTs) to local authorities. To discharge their new public health responsibilities, local authorities were provided with a ring-fenced public health grant.

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 2013/14, the Council paid £135k to the NHS in respect of public health retirement benefits, representing 14.0% of pensionable pay.



**34. 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 two 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.

**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:

	<b>Local Government Pension Scheme</b>		<b>Unfunded - Firefighters' Pension</b>	
	2012/13	2013/14	2012/13	2013/14
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
Service Cost Comprising:				
Current service cost	20,027	24,202	4,000	4,800
Past service costs	447	930	-	-
Losses / Gains (-) on settlements	-5,165	-866	-	-
Financing and Investment Income and Expenditure				
Net interest expense	16,904	18,297	7,000	7,600
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>32,213</b>	<b>42,563</b>	<b>11,000</b>	<b>12,400</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount charged in the net interest expense)	-60,149	-14,840	-	-
Actuarial gains and losses arising on changes in demographic assumptions	0	21,229	0	4,100
Actuarial gains and losses arising on changes in financial assumptions	112,573	25,537	16,800	6,800
Other experience	586	-8,213	-200	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>53,010</b>	<b>23,713</b>	<b>16,600</b>	<b>10,900</b>

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	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	1,434	-7,379	-7,400	-8,500
	<b>1,434</b>	<b>-7,379</b>	<b>-7,400</b>	<b>-8,500</b>

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

Employers' contributions payable for unfunded teachers scheme & LGPS benefits (discretionary)	29,061	<b>30,631</b>	3,600	<b>3,900</b>
Employers' contributions payable to scheme for unfunded LGPS benefits (Discretionary)	4,586	<b>4,553</b>	-	-
<b>Total employers contributions</b>	<b>33,647</b>	<b>35,184</b>	<b>3,600</b>	<b>3,900</b>
Retirement benefits payable to pensioners			4,600	5,000

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Present value of the defined benefit obligation	1,132,128	1,203,708	168,900	188,300
Fair value of plan assets	-719,419	-759,907	0	0
Sub-total	412,709	443,801	168,900	188,300
Other movements in the liability (asset)	-	-	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>412,709</b>	<b>443,801</b>	<b>168,900</b>	<b>188,300</b>

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

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Opening fair value of scheme assets	628,919	719,419	0	0
Interest Income	30,189	32,091	0	0
Remeasurement Gain / Loss (-):				
The return on plan assets, excluding the amount included in the net interest expense	60,149	14,840	0	0
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	33,647	35,184	3,500	<b>3,900</b>
Contributions from employees into the scheme	7,156	6,850	1,000	<b>1,100</b>
Benefits paid	-34,295	-38,770	-4,500	<b>-5,000</b>
Benefits paid for unfunded LGPS benefits (Discretionary)	-4,586	-4,553	0	0
Assets distributed on settlement	-1,760	-5,154	0	0
<b>Closing fair value of scheme assets</b>	<b>719,419</b>	<b>759,907</b>	<b>0</b>	<b>0</b>

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

	<b>Funded liabilities:</b>	<b>Local Government Pension Scheme</b>	<b>Unfunded liabilities: Firefighters' Pension Scheme</b>	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Opening balance at 1 <sup>st</sup> April	-990,052	-1,132,128	-144,900	-168,900
Current service cost	-20,027	-24,202	-4,000	-4,800
Interest cost	-47,093	-50,388	-7,000	-7,600
Contributions from scheme participants	-7,156	-6,850	-1,000	-1,100
Remeasurement Losses / Gains (-):				
Actuarial gains/losses arising from changes in demographic assumptions	0	-21,229	0	-4,100
Actuarial gains/losses arising from changes in financial assumptions	-112,573	-25,537	-16,800	-6,800
Other experience	-586	8,213	200	0
Past service costs (Including curtailments)	-447	-930	0	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	34,295	38,770	4,600	5,000
Benefits paid for unfunded teachers scheme & LGPS benefits (Discretionary)	4,586	4,553	-	-
Liabilities extinguished on settlements, where relevant	6,925	6,020	-	-
<b>Closing balance at 31<sup>st</sup> March</b>	<b>-1,132,128</b>	<b>-1,203,708</b>	<b>-168,900</b>	<b>-188,300</b>

**Local Government Pension Scheme assets comprised:**

	Fair Value of Scheme Assets					
	Quoted prices in active markets	2012/13 Quoted prices not in active markets	TOTAL	Quoted prices in active markets	2013/14 Quoted prices not in active markets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	13,431	-	13,431	12,867	-	12,867
Equity Instruments:						
By Industry Type (a)						
Consumer	38,028	-	38,028	43,608	-	43,608
Manufacturing	15,622	-	15,622	18,249	-	18,249
Energy and utilities	24,539	-	24,539	25,012	-	25,012
Financial institutions	34,101	-	34,101	37,946	-	37,946
Health and care	7,814	-	7,814	8,492	-	8,492
Information Technology	2,602	-	2,602	1,186	-	1,186
Other	24,613	-	24,613	28,188	-	28,188
Sub-total equity (a)	147,319	-	147,319	162,681	-	162,681
Bonds:						
By Sector						
Corporate (investment grade)	37,860	-	37,860	36,367	-	36,367
Corporate (non-investment grade)	2,059	-	2,059	2,424	-	2,424
UK Government	75,005	-	75,005	68,192	-	68,192
Other	2,612	-	2,612	5,516	-	5,516
Sub-total bonds	117,536	-	117,536	112,499	-	112,499
Real Estate:						
UK Property	33,310	4703	38,013	34,452	7,919	42,371
Overseas Property	-	2709	2,709	-	2,642	2,642
Sub-total real estate	33,310	7,412	40,722	34,452	10,561	45,013
Private equity:						
All	-	2280	2,280	-	2,545	2,545
Investment Funds and Unit Trusts						
Equities	27,251	305834	333,084	24,403	330,996	355,399
Bonds	31,291	823	32,114	32,768	766	33,534
Other	-	32987	32,987	-	35,274	35,274
Sub-total investments funds and Unit Trus	58,542	339,644	398,185	57,171	367,036	424,207
Derivatives						
Forward foreign exchange contracts	1	-	1	134	-	134
Other	-56	-	-56	-39	-	39
Sub-total derivatives	-55	0	-55	95	-	95
<b>TOTAL ASSETS</b>	<b>370,083</b>	<b>349,336</b>	<b>719,418</b>	<b>379,765</b>	<b>380,142</b>	<b>759,907</b>

	Fair Value of Scheme	
	2012/13 £'000	2013/14 £'000
Equity Instruments:		
By company size		
FTSE 100	112,080	119,994
FTSE 250	35,239	42,687
Sub-total equity instruments	147,319	162,681

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## 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 1<sup>st</sup> April 2013. The significant assumptions used by the actuary have been:

	Local Government Pension		Unfunded liabilities:	
	2012/13	2013/14	2012/13	2013/14
Mortality assumptions:				
Longevity (yrs) at 65 (60 for Fire) for current pensioners:				
Men	21.7	22.5	28.1	29.3
Women	23.6	24.6	31.0	31.5
Longevity (yrs) at 65 (60 for Fire) for future pensioners:				
(Figures assume members aged 45 as at 31.03.13 for the LGPS and as at 31.03.14 for				
Men	23.5	24.4	29.7	30.9
Women	25.8	27.0	32.5	33.0
Rate of Inflation	3.6%	3.6%	3.6	3.6
Rate of increase in salaries	4.6% *	4.1%	3.8%	3.8%
Rate of increase in pensions **	2.8%	2.8%	2.8%	2.8%
Rate for discounting scheme liabilities #	4.5%	4.3%	4.5%	4.3%

\* Salary increases expected to be 1% p.a. until 31<sup>st</sup> March 2015 reverting to the long term assumption shown thereafter.

\*\* 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 2014	Approximate Increase %	Approximate monetary amount £'000
<b>Local Government Pension Scheme - Increase to Employer Liability</b>		
0.5% decrease in Real Discount Rate	9%	106,222
1 year increase in member life expectancy	3%	36,111
0.5% increase in the Salary Increase Rate	2%	28,453
0.5% increase in the RPI Rate (affecting both Salary & Pension Increases)	8%	105,198
0.5% increase in the Pension Increase Rate (CPI)	6%	76,745
<b>Fire Fighters Pension Scheme - Increase to Employer Liability</b>		
0.1% decrease in Real Discount Rate	2%	3,500
1 year increase in member life expectancy	3%	5,600
0.5% increase in the Salary Increase Rate	1%	2,600
0.5% increase in the RPI Rate (affecting both Salary & Pension Increases)	9%	18,000
0.5% increase in the Pension Increase Rate (CPI)	8%	15,400
<b>Fire Fighters Pension Scheme - Increase to Projected Current Service Cost</b>		
0.1% decrease in real Discount Rate	4%	200
1 year increase in member life expectancy	3%	150
0.5% increase in the Salary Increase Rate	5%	230
0.5% increase in the RPI Rate (affecting both Salary & Pension Increases)	18%	890
0.5% increase in the Pension Increase Rate (CPI)	13%	660

## 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 authority anticipates to pay £31m expected contributions to the LGPS scheme and £1.7m for the Fire scheme in 2014/2015.

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

		Duration 2012/13	Duration 2013/14
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	17.8	18.3
Fire - Injury	Duration effective as at previous formal valuation - 31.03.12	21.2	21.4

### 35. 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 £0.5m.

#### Waste PPP

The Council's waste scheme was finalised during 2012/13, however the facility was refused planning in February 2013 and the future of the scheme is currently subject to the outcome of a planning inquiry, following the appeal by UBB (Gloucestershire) Ltd.

If the contract were to be terminated for failure to obtain planning consent compensation would be calculated on a force majeure basis (no fault termination) which would require the Council to pay a termination sum in accordance with the provisions of the contract. These costs have been estimated at between £16m - 20m.

#### Icelandic Overpayment in respect of Glitnir Bank

In 2012 the Council received a settlement from the Winding Up Board in relation to Glitnir. At the time that this payment was made there was uncertainty around the exchange rate that should have been applied to the deposits. However, the Council agreed to sign an undertaking on the advice of Bevan Brittan and the LGA, in order to progress repayment.

The Supreme Court has now ruled that the LBI winding-up board must apply the Central Bank of Iceland (CBI) official selling rates on the date each distribution was made when calculating the ISK value of distributions paid in FX and not the rates as at 22 April 2009, which was the method both it and the Glitnir WUB had used previously.

In light of this the Glitnir WUB has recalculated the amounts that the Council was entitled to receive. Following this recalculation, the WUB has determined that Creditors have been overpaid in GBP and NOK and underpaid in USD and EUR. The WUB has now formally demanded repayment of the overpaid sums, on receipt of which, it says it will pay to Creditors the underpaid sums.

The LGA is currently negotiating on behalf of the Council to regarding this repayment, with a view to using monies currently held in ISK. As a result the timings of when this repayment will be made is uncertain, and also whether this amount will be settled gross or net. The amount overpaid to the Council is calculated as £239,984, offset by an underpayment of £77,459, so the net overpayment is £162,525.

### 36. 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 31<sup>st</sup> March 2014 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 <sup>st</sup> March 2014	Historical experience of default	Historical experience adjusted for market conditions at 31 <sup>st</sup> March 2014	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with Banks & Financial Institutions	197,214	-	-	-
Customers	10,915	1.8	3.6	859
	<b>208,129</b>			<b>859</b>

No credit limits were exceeded during the reporting period and (except for the investments held in Icelandic Banks) the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council's debtors, including any payments in advance made by the Council totalled £51.037m as at 31<sup>st</sup> March 2014, 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 31<sup>st</sup> March 2014 these debts totalled £0.859m.

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

	2012/13 £'000	2013/14 £'000
Less than a month	3,601	5,284
One to three months	1,468	2,582
Three to six months	555	712
More than six months	1,947	2,337
	<b>7,571</b>	<b>10,915</b>

#### 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:

	2012/13 £'000	2013/14 £'000
Less than one year	49,604	49,403
Between one and two years	4,863	4,863
Between two and five years	18,062	21,062
Between five and ten years	60,735	37,872
Between ten and twenty years	44,500	44,500
Between twenty and thirty years	38,968	47,958
Between thirty and forty years	85,260	91,270
Between forty and fifty years	30,000	15,000
Finance Lease Liability	22,373	21,943
	<b>354,365</b>	<b>333,871</b>

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 31<sup>st</sup> March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	150
Increase in interest receivable on variable rate investments	-620
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>-470</b>

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.

The Council has £20m invested with Investec as part of a pooled fund. An element of this could be affected by price risk, ultimately linked to the demand for short term high quality bonds that the fund invests in. As at 25th September 2014 these funds have been disinvested.

**Foreign Exchange Risk**

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

**37. Trust Funds**

At 31<sup>st</sup> 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 2013	Income	Expenditure	Balance at 31 <sup>st</sup> March 2014
	£	£	£	£
<b>Libraries</b>				
2 trusts providing books for libraries	2,774	181	161	<b>2,794</b>
<b>Gloucestershire Heritage Trust Ltd</b>				
Preserves and renovates specific buildings and areas which are of historic interest	6,891	24		<b>6,915</b>
<b>Gloucestershire War Relief</b>				
The awarding of grants relating to service in the Great War	411			<b>411</b>
<b>Total</b>	<b>10,076</b>	<b>205</b>	<b>161</b>	<b>10,120</b>

**38. 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.

**39. Deferred Liabilities**

The amount of £2.618m represents the shares of the PFI Joint Fire Training Centre project equalisation fund attributable to Avon Fire Authority and Devon & Somerset Fire Authority.

#### 40. 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 31<sup>st</sup> March 2014:

Collection Fund as at 31 <sup>st</sup> March 2014	Arrears after impairment allowance for doubtful/bad debt (Debtors)	Overpayments and prepayments (Creditors)	Collection Fund Surplus (-) /Deficit £'000	Cash (shown as Debtor or Creditor) £'000
	£'000	£'000		
Council Tax Collection	7,031	-3,221	-3,344	-466
Non-Domestic Rates Collection	544	-1,098	1,018	-464
<b>Total</b>	<b>7,575</b>	<b>-4,319</b>	<b>-2,326</b>	<b>-930</b>

#### 41. Exceptional Items

##### Restructuring Costs

The fundamental review of the Council's role and organisational shape continued during 2013/14.

The total of the retirement and redundancy costs incurred as part of the "Meeting the Challenge" initiative for the year totalled £0.879m. Due to the nature of these costs, this has been treated as an exceptional item within the 2013/14 Comprehensive Income and Expenditure Statement.

#### Note 42. Prior Period Restatements

##### Changes to Pension Fund Accounting Policy

The International Accounting Standard 19 'Employee Benefits' (IAS19) was amended in June 2011 and is now mandatory for accounting periods starting on or after January 2013. The following 2012/13 and 2013/14 statements reflect the CIPFA Code of Practice 's adoption of the IAS19 amendments.

The revisions to the 2013 CEIS, as a result of the accounting changes, have had the impact of reducing the 'Remeasurement of the net defined benefit liability (Asset)' and increasing the Net interest on the defined benefit liability (Asset)' by £4.4m. This is due to the advance credit for anticipated outperformance of return seeking assets (such as equities) being no longer permitted.

A further change is included within the CIES & Note 34. Where previously the interest cost and expected return on assets figures were combined into a single disclosure this has now been split.

Interest costs are now separately reported as "Net Interest Expense".

The expected return on assets is now incorporated within the "Re-measurement of the net defined benefit liability ( Asset)" disclosure.

Comprehensive Income & Expenditure Statement	As Previously Stated	As Restated	Movement
	2012-13 £000's	2012-13 £000's	2012-13 £000's
<b>IAS19 Adjustments:-</b>			
Fire Services	400	2,303	1,903
Fire Pensions Top Up Grant	-	1,903	1,903
Net interest on the defined benefit liability (Asset)	19,501	23,904	4,403
Remeasurement of the net defined benefit liability (Asset)	74,013	69,610	4,403
<b>Total</b>	<b>93,914</b>	<b>93,914</b>	<b>0</b>

**Classification of Capital Grants & Contributions:-**

A review of the conditions attached to all capital contributions and grants held as at 31st March 2013 has been undertaken, to ensure compliance with current accounting standards. As a result the following restatements to balances held have been undertaken:-

Comprehensive Income & Expenditure Statement	As Previously		As	Movement
	Stated		Restated	
	2012-13 £000's	2012-13 £000's	2012-13 £000's	
Recognised Capital Grants & Contributions -	34,375 -	95,184 -	60,809	-
<b>Total Movement on Comprehensive Income Statement</b>	<b>59,539</b>	<b>-1,270</b>	<b>-60,809</b>	
<b>Reported Total Comprehensive Income &amp; Expenditure</b>	<b>104,272</b>	<b>43,463</b>	<b>-60,809</b>	
Balance Sheet	As Previously		As	Movement
	Stated		Restated	
	2012-13 £000's	2012-13 £000's	2012-13 £000's	
Capital Grants and Contributions Receipts in Advance -	79,153 -	18,344	60,809	-
Capital Grants and Contributions Unapplied Reserves	2,973	63,781	60,808	-
<b>Reported Total Balance Sheet</b>	<b>95,407</b>	<b>156,215</b>	<b>60,809</b>	

# Gloucestershire Pension Fund

## Fund Account for the year ended 31<sup>st</sup> March 2014

2012/13 re-stated £'000		£'000	2013/14 £'000	Note
	<b>Dealings with members, employers and others directly involved in the scheme</b>			
	Contributions			
-62,917	from employers	-68,809		N20
-15,717	from members	-16,086		N20
-78,634			-84,895	N7
	Transfers in from other pension funds			
-4,242	individual transfers in from other schemes	-4,719		
0	group transfers in from other schemes	0		
-4,242			-4,719	
	Other income			
-276	recoveries for services provided		-297	N22
	Benefits			
56,038	pensions	58,316		
9,330	commutation of pensions and lump sum retirement benefits	9,165		
1,321	lump sum death benefits	1,007		
66,689			68,488	N7
	Payments to and on account of leavers			
5	refunds of contributions	10		
-1	state scheme premiums	-3		
3,647	individual transfers out to other schemes	3,843		
-	group transfers out to other schemes	9,200		N26
3,651			13,050	
1,312	Administrative expenses		1,256	N9 & N22
-11,500	Net additions from dealings with scheme members		-7,117	
	<b>Returns on investments</b>			
-24,649	Investment income		-29,005	N15 & N19
-25	Taxes on income		1	N3 & N15
-146,729	Profit(-) and losses on disposal of investments and changes in market value of investments		-91,172	N4 & N19
3,214	Investment management expenses		5,638	N23
-168,189	<b>Net returns on investments</b>		-114,538	
-179,689	<b>NET INCREASE (-) / DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR</b>		-121,655	
1,205,151	<b>Opening net assets of the scheme</b>		1,384,840	
1,384,840	<b>Closing net assets of the scheme</b>		1,506,495	

# Gloucestershire Pension Fund

## Net Assets Statement as at 31<sup>st</sup> March 2014

2012/13 re-stated £'000		2013/14 £'000	Note
<b>Investment assets</b>			
151,104	Fixed interest securities	150,399	
282,317	Equities	316,478	
74,137	Index-linked securities	78,543	
763,382	Pooled investment vehicles	842,755	
77,721	Property unit trusts	90,919	N10
310	Derivative contracts	172	N2 & N17
4,369	Other investments - Venture Capital/Private Equity	4,934	N10
5,222	Cash held on behalf of the investment managers	17,025	
5,837	Other investment balances	4,584	
1,364,399		1,505,809	
<b>Investment liabilities</b>			
-416	Derivative contracts	-16	N2 & N17
-1,077	Other investment balances	-1,449	
-1,493		-1,465	
<b>Long term assets</b>			
388	Contributions due from employer	609	
3,708	Other long term assets (debtors)	3,090	
4,096		3,699	N25
<b>Current assets</b>			
2,880	Contributions due from employers	3,050	
399	Other current assets	294	N19
618	Money due re. transfer of staff to another pension scheme	618	
15,964	Cash balances	7,451	N2, N19, N24, N28
19,861		11,413	N25
<b>Current liabilities</b>			
-1	Unpaid benefits	-61	
-2,022	Other current liabilities	-12,900	N26 & N29
-2,023		-12,961	N26
1,384,840	<b>Net assets of the scheme available to fund benefits at the period end</b>	1,506,495	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 N27.

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 (or final salary scheme - see note below regarding the new regulations). 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 31<sup>st</sup> March 2014 was 17,936 (2013 16,877). The Fund is governed by the Superannuation Act 1972 and administered in accordance with the following secondary legislation:

- The LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The LGPS (Administration) Regulations 2008 (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.

The Local Government Pension Scheme Regulations 2013, which came into effect from 1st April 2014 is governed by the Public Service Pensions Act 2013. The basis of the new scheme remains defined benefit but based on a Career Average Revalued Earnings (CARE) basis. Benefits built up before 1st April 2014 will continue to be protected under the old (pre April 2014) Final Salary basis. Changes have also been made to the accrual rate and normal retirement age and there is now an option for members to pay half contributions for half benefits.

*\* There are restrictions with some casual staff*

#### N2. Accounting policies

##### Basis of preparation

The Statement of Accounts summarises the Funds' transactions for the 2013/14 financial year and its position at year end as at 31st March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 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.

##### Investment manager 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
- GMO - Global Equities \*\*
- Hermes - Property Unit Trusts

\*\* Performance fees will not apply from April 2014

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.

Where the Fund has obtained investment advice from external consultants the cost is included in investment management charges.

#### Administering authority recharges

The Regulations permit the County Council to charge the cost of both the management and administration of the pension scheme to the Fund. A proportion of relevant officers' salaries, on-costs and general overheads have been charged to the Fund on the basis of time spent on fund administration.

#### 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 2014. 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.

#### Acquisition and transaction costs of investments

Acquisition costs of investments (e.g. stamp duty) and transaction costs are included within the purchase cost/proceeds of investment purchases and sales. Note 4 refers.

#### 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

2013/14

Asset Class	Market Value at 31 <sup>st</sup> March 2013 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value, new money and accruals £'000	Market Value at 31 <sup>st</sup> March 2014 £'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			-471	22,311
	1,384,840			91,172	1,506,495



2012/13

	Market Value at 31 <sup>st</sup> March 2012	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value, new money and accruals	Market Value at 31 <sup>st</sup> March 2013
	£'000	£'000	£'000	£'000	£'000
<b>Asset Class</b>					
Fixed Interest	165,810	96,111	-124,751	13,934	151,104
Equities	251,991	128,562	-57,732	-40,504	282,317
Index Linked	77,829	13,333	-23,460	6,435	74,137
Derivatives	162	-	-868	600	-106
Pooled Investments	594,694	4,717	-751	164,722	763,382
Property Unit Trusts	75,074	3,235	-227	-361	77,721
Private Equity	4,254	-	-43	158	4,369
	1,169,814	245,958	-207,832	144,984	1,352,924
Cash movement, currency adjustments and other end of year settlements	35,337			*1,745	31,916
	1,205,151			*146,729	1,384,840

\*Please see Note N19.

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.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amount to £345,271 (2012/13 £770,251). 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.

## N5. Management of fund assets

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

	2012/13		2013/14	
	£'000	%	£'000	%
Western Asset Management Company	290,356	21.0	307,305	20.4
BlackRock	387,545	28.0	414,786	27.5
CBRE	14,273	1.0	21,839	1.5
GMO	243,176	17.6	280,844	18.6
Standard Life Investments	358,757	25.9	404,913	26.9
Hermes Investment Management Property Unit Trust	64,431	4.6	69,715	4.6
YFM Group	4,369	0.3	4,935	0.3
<b>Total - External Managers</b>	1,362,907	98.4	1,504,337	99.8
In-house cash and accruals	21,933	1.6	2,151	0.2
Cash instruments with Custodian	-	-	7	0.0
	1,384,840	100.0	1,506,495	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 2010 valuation determined the employer contributions required during the year to 31<sup>st</sup> March 2014. 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 31<sup>st</sup> 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.gloucestershire.gov.uk/pensionsinvestments](http://www.gloucestershire.gov.uk/pensionsinvestments)
- See note N27 for details of the Actuarial Present Value of Promised Retirement Benefits.

## N7. Analysis of contributions receivable and benefits payable

	2012/13		2013/14	
	Contributions receivable £'000	Benefits payable £'000	Contributions receivable £'000	Benefits payable £'000
Gloucestershire County Council <i>[Administering authority]</i>	35,920	35,530	37,946	37,147
Scheduled bodies (140 13/14) (131 12/13) <i>[Bodies admitted by right]</i>	37,795	28,286	39,487	28,592
Admitted bodies (31 13/14) (25 12/13) <i>[Bodies admitted by agreement]</i>	4,919	2,873	7,462	2,749
	<b>78,634</b>	<b>66,689</b>	<b>84,895</b>	<b>68,488</b>

Scheduled bodies now include 70 (61 12/13) schools who have converted to academy status; formerly these were included with the County Council.

**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.gloucestershire.gov.uk/pensionsinvestments](http://www.gloucestershire.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.

	2012/13 £'000	2013/14 £'000
<b>Administrative expenses</b>	1,312	1,256

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, 24 and 28.

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 £10,276 (£9,280 2012/13) and employers' pension contributions of £2,559 (£2,218).

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 and Councillor C. Hay sits on the Board of Cheltenham Borough Homes. Both Ubico Limited and Cheltenham Borough Homes 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. Funding has also been set aside but not yet allocated to the global property manager.

	<b>Total Commitment</b>	<b>Outstanding liability 2012/13</b>	<b>Outstanding liability 2013/14</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chandos Fund	<b>3,000</b>	1,032	<b>546</b>
CBRE	<b>20,000</b>	7,102	<b>1,749</b>
	<b>23,000</b>	8,134	<b>2,295</b>

In May 2014 a further £10m was committed to CBRE, the global property manager.

The Pension Fund has received notification from an employer that it intends to amalgamate all of its pension assets and liabilities under one Local Government Pension Scheme. A net payment of approximately £25m is therefore due to be paid out by the Fund towards the end of 2014. Please also see Note N29.

**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 (12/13 £41,579) has been recorded for possible additional contributions from ex members of staff, during 2014/2015 and future years.

**N12. Unquoted holdings**

The following holdings are unquoted:

	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
<u>Pooled investment vehicles</u>		
UK equity unitised insurance policy	7,626	<b>10,044</b>
Global equity managed funds	243,176	<b>280,844</b>
Overseas equity unitised insurance policies	335,285	<b>367,653</b>
UK limited liability partnerships	317	<b>740</b>
Overseas limited liability partnerships	1,577	<b>1,528</b>
Global multi asset unitised insurance policy	63,214	<b>69,290</b>
	<b>651,195</b>	<b>730,099</b>
<u>Property unit trusts</u>		
UK property unit trust	6,916	<b>14,505</b>
Overseas property unit trust	6,971	<b>7,426</b>
	<b>13,887</b>	<b>21,931</b>
<b>Total</b>	<b>665,082</b>	<b>752,030</b>

**N13. Stocklending**

The Pension Funds' custodian has been authorised to release stock to third parties under a stock lending arrangement. At 31<sup>st</sup> March 2014 the value of stock out on loan was £3.9m (2012/13 £8.0m) of which £3.9m (£8.0m) were UK equities. Collateral of £4.2m (£8.3m) equal to 108% (105%) of stock out on loan was held in the form of £4.2m (£8.3m) in AA rated UK and Overseas government debt and AAA rated fixed interest stock issued by Supranational bodies. 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**

	2012/13 re-stated £'000	2013/14 £'000	Note
<b>Financial assets</b>			
Fixed interest securities			
UK - Public Sector - Quoted	69,600	<b>62,670</b>	
- Other - Quoted	81,504	<b>78,682</b>	
Overseas - Public Sector - Quoted	-	<b>6,796</b>	
- Other - Quoted	-	<b>2,251</b>	
	<b>151,104</b>	<b>150,399</b>	
Equities			
UK - Quoted	282,317	<b>316,478</b>	
Index-linked securities			
UK - Public Sector - Quoted	74,137	<b>78,543</b>	
Pooled investment vehicles			
Unit Trusts			
Overseas - Equities - managed from outside the UK - Quoted	52,222	<b>47,095</b>	N19
Overseas - Equities - managed from inside the UK - Quoted	-	-	N19
Unitised Insurance Policies			
UK - Equities - Unquoted	7,626	<b>10,044</b>	
Overseas - Equities - managed from outside the UK - Unquoted *	335,285	<b>367,653</b>	
Global - Multi Asset - managed from within the UK - Unquoted	63,215	<b>69,290</b>	
Other Managed Funds			
O.E.I.C.'s			
Overseas - Fixed interest - managed from outside the UK - Quoted *	59,964	<b>65,561</b>	N19
Overseas - Fixed interest - managed from within the UK - Quoted *	-	-	N19
Overseas - Equities - managed from outside the UK - Unquoted *	-	-	N19
Global - Equities - managed from outside the UK - Unquoted *	243,176	<b>280,844</b>	N19
Limited Liability Partnerships			
UK - Property - managed from within the UK - Unquoted	317	<b>740</b>	
Overseas - Fixed interest - managed from outside the UK - Unquoted	1,577	<b>1,528</b>	
	<b>763,382</b>	<b>842,755</b>	
Property Unit Trusts			
UK - managed from within the UK - Quoted	63,834	<b>68,988</b>	
- managed from outside the UK - Unquoted	6,916	<b>14,505</b>	
Overseas - managed from outside the UK - Unquoted	6,971	<b>7,426</b>	
	<b>77,721</b>	<b>90,919</b>	N10
Derivative Contracts			
Futures - UK	-	<b>16</b>	
Forward foreign exchange contracts	310	<b>156</b>	
	<b>310</b>	<b>172</b>	N17
Other Investments			
Venture Capital/Private Equity - UK	4,369	<b>4,934</b>	
Cash (Managers)			
Cash instruments - UK	3,896	<b>15,082</b>	
- Overseas	972	<b>1,122</b>	
Cash deposits - UK	184	<b>704</b>	
- Overseas	170	<b>117</b>	
	<b>5,222</b>	<b>17,025</b>	
Other investment balances			
Debtors			
Outstanding settlement of investment transactions	1,430	-	
Accrued dividend income and tax reclaims due on dividend income	4,407	<b>4,584</b>	
	<b>5,837</b>	<b>4,584</b>	
<b>Total Financial Assets</b>	<b>1,364,399</b>	<b>1,505,809</b>	

	2012/13 £'000	2013/14 £'000	
<b>Financial Liabilities</b>			
Derivative Contracts			
Futures - UK	-105	-	
- Overseas	-3	-	
Forward foreign exchange contracts	-308	-16	
	-416	-16	N17
Other investment balances			
Creditors			
Outstanding settlement of investment transactions	-1,077	-1,449	
<b>Total Financial Liabilities</b>	-1,493	-1,465	
<b>Long Term Assets</b>			
Contributions due from employers	388	609	
Money due re. transfer of staff to another pension scheme	3,708	3,090	
	4,096	3,699	N25
<b>Current Assets</b>			
Contributions due from employers	2,880	3,050	
Other current assets (debtors)	399	294	N19
Money due re. transfer of staff to another pension scheme	618	618	N19 &
Cash balances	15,964	7,451	N24
	19,861	11,413	N25
<b>Current Liabilities</b>			
Unpaid benefits	-1	-61	
Other liabilities (creditors)	-2,022	-12,900	N29
	-2,023	-12,961	N26
<b>TOTAL</b>	1,384,840	1,506,495	

\* These overseas pooled funds may incorporate some UK assets.

# **N15. Investment income**

Investment income arises from the following investment categories:

	2012/13 £'000	2013/14 £'000
Fixed interest	7,506	6,307
Equities	9,771	13,192
Index-linked	1,424	2,050
Pooled investment vehicles	5,712	6,723
Interest on cash deposits (please see note N19)	121	125
Private equity	43	586
Other income from stocklending, underwriting and class actions	72	22
	24,649	29,005
Withholding tax	25	-1
	24,674	29,004

# **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).

	<b>Prudential</b>		<b>Phoenix Life</b>		<b>Total Investments</b>	
	2012/13 *	2013/14	2012/13	2013/14	2012/13 *	2013/14
	£'000	£'000	£'000	£'000	£'000	£'000
Value of investments at 1 <sup>st</sup> April	*7,417	7,390	154	138	*7,571	7,528
Prior year adjustments	-	-	-	-	-	-
Contributions received in year	680	664	2	2	682	666
Death in service premiums paid by members	-7	-7	-	-	-7	-7
Sales of investments	-1,180	-957	-19	-25	-1,199	-982
Changes in value of investments	480	326	1	-	481	326
<b>Present value of investments</b>	7,390	7,416	138	115	7,528	7,531

\* Following the implementation of a new administration platform Prudential were unable to provide a reconciliation of the 2012/13 opening balance with the 2011/12 closing balance, this was due to the differing specifications of the two systems.

**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 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 31<sup>st</sup> March 2014.

**Derivative Contract Analysis**

	<b>Contract type*</b>	<b>2012/13 Notional Value £'000</b>	<b>2013/14 Notional Value £'000</b>	<b>Expiration</b>	<b>2012/13 Market Value £'000</b>	<b>2013/14 Market Value £'000</b>
<b>INVESTMENT ASSETS</b>						
<u>Futures</u>						
UK - Fixed Interest UK Long Gilt Future	ET	-	4,162	Less than 3 months	-	<b>16</b>
UK Futures		-	4,162		-	<b>16</b>
Total Futures		-	4,162		-	<b>16</b>
<u>Forward foreign exchange contracts</u>	OTC	12,623	16,411	Less than 6 months	310	<b>156</b>
<b>Total Derivative Assets</b>		<b>12,623</b>	<b>20,573</b>		<b>310</b>	<b>172</b>
<b>INVESTMENT LIABILITIES</b>						
<u>Futures</u>						
UK - Fixed Interest UK Long Gilt Future	ET	-18,530	-	Less than 3 months	-105	-
UK Futures		-18,530	-		-105	-
Overseas - Fixed Interest Australian 10 Year Bond Future	ET	7,347	-	Less than 3 months	-3	-
Overseas Futures		7,347	-		-3	-
Total Futures		-11,183	-		-108	-
<u>Forward foreign exchange contracts</u>	OTC	10,602	658	Less than 6 months	-308	<b>-16</b>
<b>Total Derivative Liabilities</b>		<b>-581</b>	<b>658</b>		<b>-416</b>	<b>-16</b>
<b>Net Futures</b>					<b>-106</b>	<b>156</b>

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



The total Futures' initial margin for 2013/14 was £0.1m (£0.5m 2012/13) and the total variation margin was £0.2m (£0.3m 2012/13). 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 2014 is given below:-

**Open Forward Currency Contracts at 31st March 2014**

Settlement	Currency bought	Local Value 000	Currency sold	Local Value 000	Asset Value £000	Liability Value £000
Up to six months	GBP	3,688	USD	6,040	64	
Up to six months	GBP	7,571	EUR	9,096	49	
Up to six months	GBP	1,321	EUR	1,579	14	
Up to six months	GBP	790	USD	1,293	14	
Up to six months	GBP	2,084	USD	3,455	10	
Up to six months	GBP	628	JPY	107,035	4	
Up to six months	GBP	330	HKD	4,246	1	
Up to six months	GBP	126	SGD	264	-	1
Up to six months	GBP	151	NZD	298	-	3
Up to six months	GBP	381	AUD	711	-	12
					156	- 16
<b>Net forward currency contracts at 31st March 2014</b>						<b>140</b>
<b>Prior year comparative</b>						
Open forward currency contracts at 31st March 2013					310	- 308
Net forward currency contracts at 31st March 2013						2

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

At 31<sup>st</sup> March 2014 the Pension Fund held two, (2012/13, two) investments that each exceeded 5% of the total value of the net assets of the scheme. These are detailed as follows:

<b>Investments exceeding 5% of Total Net Assets</b>	<b>2012/13</b>		<b>2013/14</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
* BlackRock Global Equity Fund	335,285	24.2	<b>367,653</b>	<b>24.4</b>
* GMO World Equity Allocation Investment Fund	243,176	17.6	<b>280,844</b>	<b>18.6</b>
	<b>578,461</b>	<b>41.8</b>	<b>648,497</b>	<b>43.0</b>

*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 2013/14*

<b>Investments exceeding 5% of their Asset Class</b>	<b>2012/13</b>		<b>2013/14</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
<b>Fixed interest securities</b>				
Treasury 4.25% 2040	17,432	11.5	<b>19,247</b>	<b>12.8</b>
Treasury 4.25% 2039	9,511	6.3	<b>8,864</b>	<b>5.9</b>
Treasury 3.75% 2021	22,088	14.6	<b>13,714</b>	<b>9.1</b>
Treasury 1.25% 2018	-	-	<b>11,366</b>	<b>7.6</b>
<b>Equities</b>				
Royal Dutch Shell 'B' Shares	17,615	6.2	<b>19,788</b>	<b>6.3</b>
HSBC Holdings	20,109	7.1	<b>18,933</b>	<b>6.0</b>
<b>Index-linked securities</b>				
United Kingdom IL 1.25% 2027	13,499	18.2	<b>12,359</b>	<b>15.7</b>
United Kingdom IL 1.125% 2037	9,569	12.9	<b>9,052</b>	<b>11.5</b>
United Kingdom IL 1.875% 2022	7,988	10.8	<b>14,393</b>	<b>18.3</b>
Treasury IL 2% 2035	12,091	16.3	<b>11,302</b>	<b>14.4</b>
United Kingdom IL 1.25% 2032	7,770	10.5	<b>7,211</b>	<b>9.2</b>
Treasury IL 1.25% 2055	7,117	9.6	<b>6,992</b>	<b>8.9</b>
United Kingdom IL 0.375% 2062	6,133	8.3	<b>7,277</b>	<b>9.3</b>
Treasury IL 0.75% 2047	4,106	5.5	<b>4,017</b>	<b>5.1</b>
United Kingdom IL 0.25% 2052	4,195	5.7	-	-
<b>Pooled investment vehicles</b>				
* Blackrock Global Equity Fund	335,285	43.9	<b>367,653</b>	<b>43.6</b>
* GMO World Equity Allocation Investment Fund	243,176	31.9	<b>280,844</b>	<b>33.3</b>
Standard Life Global Absolute Return Strategies Fund	63,215	8.3	<b>69,290</b>	<b>8.2</b>
Legg Mason Global Funds - WA GMS	59,115	7.7	<b>64,647</b>	<b>7.7</b>
Blackrock Emerging Markets Index Fund	52,222	6.8	<b>47,095</b>	<b>5.6</b>
<b>Property unit trusts</b>				
Hermes Property Unit Trust	63,834	82.1	<b>68,988</b>	<b>75.9</b>
Global Alpha Fund	5,191	6.7	<b>5,136</b>	<b>5.6</b>
<b>Derivative contracts - assets</b>				
UK Long Gilt Future (LIF) Exp Jun 14	-	-	<b>16</b>	<b>100.0</b>
<b>Derivative contracts - liabilities</b>				
UK Long Gilt Future (LIF) Exp Jun 13	-105	99.1	-	-
<b>Other investments - Venture Capital/Private Equity</b>				
South West Venture Fund	2,507	57.4	<b>2,931</b>	<b>59.4</b>
Chandos Fund	1,862	42.6	<b>2,003</b>	<b>40.6</b>

## N19. Changes to comparative figures

An immaterial adjustment has been made as a result of an under accrual of interest and comparable figures for 2012/13 have been re-stated. This adjustment has also been made to the following Notes, Investment Movements Summary (Note N4), Financial Asset Analysis (Note N14), Analysis of Investment Income (Note N15), Current Assets (Note N25), Nature and Extent of Risks Arising from Financial Instruments (Note N28).

<b>Fund Account</b>	<b>2012/13</b>	<b>2012/13 re-stated</b>	<b>Difference</b>
	£'000	£'000	£'000
Investment income	-24,626	-24,649	-23
Profit and losses on disposal of investments and changes in market value of investments	-146,752	-146,729	23
			<u>-</u>

### Net Assets Statement

Other current assets	376	399	23
Cash balances	15,987	15,964	-23
			<u>-</u>

### Financial asset analysis (Note N14)

Following discussions with the Pension Fund's investment managers the following investments have been re-categorised as either being managed from outside the UK rather than from within or classed as global holdings rather than overseas holdings as they may incorporate some UK assets. The 2012/13 categories have been amended to reflect these discussions.

	<b>2012/13</b>	<b>2012/13 re-stated</b>	<b>Difference</b>
<b>Unit Trusts</b>			
Overseas - Equities - managed from inside the UK - Quoted	52,222	-	-52,222
Overseas - Equities - managed from outside the UK - Quoted	-	52,222	52,222
			<u>-</u>
<b>Other Managed Funds</b>			
O.E.I.C.'s			
Overseas - Fixed interest - managed from within the UK - Quoted *	59,115	-	-59,115
Overseas - Fixed interest - managed from outside the UK - Quoted *	849	59,964	59,115
			<u>-</u>
Overseas - Equities - managed from outside the UK - Unquoted	243,176	-	-243,176
Global - Equities - managed from outside the UK - Unquoted	-	243,176	243,176
			<u>-</u>

\* These overseas pooled funds may incorporate some UK assets.

### Administration Expenses (Note N22)

Some overhead recharges were formerly included within staff costs. These have been moved to the more appropriate heading of Support services including IT and comparable figures have been changed. Some stationery costs had been included within Printing & publications, these have now been re-categorised under Support services including IT.

	<b>2012/13</b>	<b>2012/13 re-stated</b>	<b>Difference</b>
Employee costs	616	577	-39
Support services including IT	381	422	41
Printing & publications	7	5	-2
			<u>-</u>

## Nature and extent of risks arising from Financial Instruments (Note N28)

### Fair Value Hierarchy

The 2012/13 table has been re-stated following further analysis of the individual investments and their appropriate levels and to ensure a direct comparison with the 2013/14 position.

<b>N20. Contributions breakdown</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
From Employers:		
Normal	36,227	<b>38,166</b>
Augmentation	64	-
Deficit Funding	24,680	<b>27,700</b>
Other	1,946	<b>2,943</b>
	<b>62,917</b>	<b>68,809</b>
From Members:		
Normal	15,363	<b>15,774</b>
Additional Voluntary	354	<b>312</b>
	<b>15,717</b>	<b>16,086</b>

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 31<sup>st</sup> March 2014 £0.2m (2012/13 £0.3m) 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 2014 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.

<b>N22. Administrative expenses</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>re-stated</b>	
	<b>£'000</b>	<b>£'000</b>
Employee costs	577	<b>556</b>
Support services including IT	422	<b>414</b>
Printing and publications	5	<b>12</b>
Pension committee	2	<b>1</b>
External audit fees	22	<b>21</b>
Actuarial fees	284	<b>252</b>
Please see note N19	<b>1,312</b>	<b>1,256</b>

Within actuarial fees there were costs of £197,343 (£250,169) 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.

### N23. Investment management expenses

	2012/13	2013/14
	£'000	£'000
Management fees	3,097	5,515
Custody fees	61	62
Performance monitoring service	36	38
Actuarial fees - investment consultancy	-	-
Investment consultancy	20	23
	3,214	5,638

The management fees disclosed above include **all** investment management fees directly incurred by the Fund, i.e. including those charged on pooled fund investments which tend to be deducted from the market value of the investment rather than invoiced to the Fund.

The increase 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 the outperformance of targets which have triggered the payment of performance fees totalling £1.9m (£0.2m 2012/13).

### N24. Cash

From the 1<sup>st</sup> April 2010 the Pension Fund has had its own bank account. At 31<sup>st</sup> March 2014 cash of £7.5m (£15.9m 2012/13) was invested through the County Council's short-term investment procedures. During the year the average investment balance was £10.3m (£12.9m - restated from £5.2m in 2012/2013) earning interest of £57k (£73k 2012/2013).

### N25. Current & long term assets

	2012/13	2013/14
	£'000	£'000
Contributions due - Employees	503	551
Contributions due - Employers	2,377	2,499
Sundry debtors (Please see Note N19)	399	294
Money due re. transfer of staff to another pension scheme	618	618
	3,897	3,962
Cash balances (Please see Note N19)	15,964	7,451
	19,861	11,413

	2012/13	2013/14
	£'000	£'000
<b>Analysis of debtors</b>		
<b>Current assets</b>		
Central government bodies	681	628
Other local authorities	1,648	1,381
NHS bodies	15	15
Public corporations and trading funds	1	-
Academies	255	402
Other entities and individuals (Please see Note N19)	1,297	1,536
	3,897	3,962

	2012/13	2013/14
	£'000	£'000
<b>Long term assets</b>		
Central government bodies	3,708	3,090
Other entities and individuals	388	609
	4,096	3,699

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

It has been agreed that two employers who left the Fund can spread the payment of their deficits over a number of years. The total amount has been credited to the Pension Fund and accruals made for the outstanding amount. The accruals will be rolled forward each year and adjusted for deficit payments made. Payments of £22,000 are due to the Pension Fund within the next twelve months.

## N26. Current liabilities

	2012/13 £'000	2013/14 £'000
Benefits payable	-1	-61
Sundry creditors	-2,022	-12,900
	-2,023	-12,961
Analysis of creditors	2012/13 £'000	2013/14 £'000
Central government bodies	-559	-589
Other local authorities	-119	-9,368
Other entities and individuals	-1,345	-3,004
	-2,023	-12,961

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

**N27. Actuarial present value of promised retirement benefits**

In addition to the triennial funding valuation (See Note N6), the funds 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 <sup>st</sup> March 2013 £m	31 <sup>st</sup> March 2014 £m
Present Value of Promised Retirement Benefits	2,149	2,304

**Net Assets Available for Benefits**

Year Ended	31 <sup>st</sup> March 2013 £m	31 <sup>st</sup> March 2014 £m
Net assets	1,385	1,506

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 2014 is to increase the actuarial present value by £94m (£207m 2012/13).

Significant Actuarial Assumptions Used

## Financial assumption:

Year Ended	31 <sup>st</sup> March 2013 % pa	31 <sup>st</sup> March 2014 % pa
Inflation/Pension Increase Rate	2.8	2.8
Salary Increase Rate	4.6 *	4.1
Discount Rate	4.5	4.3

\* Salary increases were assumed to be 1% p.a. until 31st March 2015 reverting to the long term assumption shown thereafter.

## 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.

## **N28. 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 31<sup>st</sup> March 2014. 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 31<sup>st</sup> March 2014 by the amounts shown below:

<b>As at 31<sup>st</sup> March 2014</b>	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
	<b>1,484,028</b>		<b>1,715,933</b>	<b>1,252,123</b>
<b>Total Gloucestershire Fund</b>	<b>1,484,028</b>	<b>8.1</b>	<b>1,604,235</b>	<b>1,363,822</b>

<b>As at 31<sup>st</sup> March 2013</b>	Value	Volatility of return	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Bonds	151,104	6.7	161,228	140,980
UK Index Linked Gilts	74,137	9.3	81,032	67,242
UK Equities	289,942	16.0	336,333	243,551
Overseas Bonds	61,542	19.6	73,604	49,480
Overseas Equities	693,897	18.9	825,044	562,750
UK Property	71,067	3.6	73,625	68,509
Overseas Property	6,971	10.2	7,682	6,260
Venture Capital/Private Equity	4,369	8.5	4,740	3,998
	<b>1,353,029</b>		<b>1,563,288</b>	<b>1,142,770</b>
<b>Total Gloucestershire Fund</b>	<b>1,353,029</b>	<b>8.8</b>	<b>1,472,096</b>	<b>1,233,962</b>

### 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 2014 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 3.7% (2012/13 3.9%) and moved between a high of 4.5% (4.8%) and a low of 2.8% (2.8%). As at the end of March 2014 this yield was 3.4% (3.0%). 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	Change in the year in the net	
	amount as at 31	assets available to pay	
	March 2014	benefits	
	£'000	+100BPS	-100BPS
		£'000	£'000
Bond Portfolio - Fixed Interest Securities excluding cash	294,926	-35,041	35,041

Asset type	Carrying	Change in the year in the net	
	amount as at 31	assets available to pay	
	March 2013	benefits	
	£'000	+100BPS	-100BPS
		£'000	£'000
Bond Portfolio - Fixed Interest Securities excluding cash	290,730	-33,251	33,251

**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 5.3% (as measured by one standard deviation).

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

A 5.3% 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:

2013/14 Currency exposure - Asset type	Asset value	Change to net assets	
	as at	available to pay benefits	
	31st March 2014		
	£'000	£'000	£'000
		+5.3%	-5.3%
Global Fixed Interest	1,133	1,193	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

2012/13 Currency exposure - Asset type	Asset value as at 31st March 2013	Change to net assets available to pay benefits	
	£'000	£'000	£'000
		<b>+5.6%</b>	<b>-5.6%</b>
Global Fixed Interest	59,264	62,583	55,945
UK Equities	700	739	661
Global Equities	579,437	611,885	546,989
Emerging Market Equities	52,541	55,483	49,599
Global Multi Asset	63,215	66,755	59,675
	<b>755,157</b>	<b>797,445</b>	<b>712,869</b>

## 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 31<sup>st</sup> March 2014 is set out below.

### Credit Analysis

<b>31<sup>st</sup> March 2014</b>	AAA	AA	A	BBB	BB	B	Unrated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK Gilts	59,499	-	-	-	-	-	-
UK Index Linked	78,890	-	-	-	-	-	-
Overseas Govt Bonds	6,081	-	-	-	-	-	-
Corporate Bonds	0	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
	<b>155,240</b>	<b>5,461</b>	<b>31,482</b>	<b>98,473</b>	<b>4,948</b>	<b>2,001</b>	<b>9,874</b>
% of Fixed Interest Portfolio	50.5%	1.80%	10.20%	32.00%	1.60%	0.70%	3.20%

<b>31<sup>st</sup> March 2013</b>	AAA	AA	A	BBB	BB	B	Unrated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK Gilts	63,095	-	-	-	-	-	-
UK Index Linked	74,681	-	-	-	-	-	-
Overseas Govt Bonds	-	-	-	-	-	-	-
Corporate Bonds	0	4,399	87,748	18,182	5,011	344	1,691
Asset Backed	2,753	2,404	9,818	6,464	-	-	-
Emerging Markets	-	-	-	-	-	-	-
Mortgages	1,040	-	-	-	-	-	-
Supra/Sov/Local Govts	4,791	-	-	-	-	-	-
Cash/Cash Equivalents/Currency Forwards	6,864	-	-	-	-	-	1,446
	<b>153,224</b>	<b>6,803</b>	<b>97,566</b>	<b>24,646</b>	<b>5,011</b>	<b>344</b>	<b>3,137</b>
% of Fixed Interest Portfolio	52.7	2.3	33.6	8.5	1.7	0	1.1

### **Treasury Management Year End Cash Balances**

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

The Fund's cash holding under its treasury management arrangements at 31st March 2014 is shown below:

Account Name	Balances as at 31st March 2013		Balances as at 31st March 2014	
	Rating*	Restated ** £'000	Rating*	£'000
RBS Liquidity Select Account	A/A1	-	A/A1	-
Ignis Liquidity Fund	AAAmmf	5,000	AAAmmf	2,427
Federated Prime Rate Liquidity Fund	AAAmmf	5,000	AAAmmf	0
Goldman Sachs	AAAmmf	5,000	AAAmmf	0
HSBC Money Market	A1/AA-	979	A1/AA-	20
HSBC Current Account	A1/AA- -	15	A1/AA-	4
Svenska Handelsbanken	A1/AA-	-	A1/AA-	5,000
<b>Total</b>		<b>15,964</b>		<b>7,451</b>

\* Ratings quoted are all Standard and Poors as at 31st March 2013 and 2014 with the exception of the Federated Prime and Goldman Sachs accounts, which are Fitch rated as at 31st March 2014

\*\* 2012/13 Re-stated (see Note 19)

### **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 31<sup>st</sup> March 2014

2013/14 Type of Asset	Level 1 £'000	Level 2 £'000	Level 3 £'000
UK Equities	316,478	-	-
Global Equities	280,844	0	0
Emerging Market Equities	47,095	0	0
Fixed Interest	141,368	0	0
Index Linked Securities	78,543	0	0
Overseas Fixed Interest	74,609	1,528	0
Unitised Insurance Policy	446,986	0	0
Property	0	79,316	12,343
Private Equity	0	0	4,935
Cash & Cash Equivalents	17,200	0	0
<b>TOTAL</b>	<b>1,403,123</b>	<b>80,844</b>	<b>17,278</b>

<b>2012/13 - re-stated</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Type of Asset</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
UK Equities	282,317	-	-
Global Equities	243,176	0	0
Emerging Market Equities	52,222	0	0
Fixed Interest	151,104	0	0
Index Linked Securities	74,137	0	0
Overseas Fixed Interest	59,965	1,577	0
Unitised Insurance Policy	406,125	0	0
Property	0	63,834	14,204
Private Equity	0	0	4,369
Cash & Cash Equivalents	5,532	0	0
<b>TOTAL</b>	<b>1,274,578</b>	<b>65,411</b>	<b>18,573</b>

See Note N19

#### **N29. Post balance sheet event**

The Pension Fund has received notification from an employer that it intends to amalgamate all of its pension assets and liabilities under one Local Government Pension Scheme. A net payment of approximately £25m is therefore due to be paid out by the Fund towards the end of 2014. Please also see Note N10

**Fire Pensions Accounts**

**Fund Account for the year ended 31st March 2014**

2012/13 £000		FPS £000	NFPS £000	Total £000
	<b>Contributions Receivable</b>			
	Fire Authority			
-1,603	contributions in relation to pensionable pay	-1,416	-224	-1,639
	early retirements	0	0	0
-28	other: Ill health retirement	0	-3	-3
	Firefighters' contributions			
-933	normal	-878	-196	-1,075
-7	other: Added Years	-8	0	-8
	<b>Transfers in</b>			
0	transfers in from other schemes	0	0	0
	<b>Benefits Payable</b>			
4,159	pensions	4,258	8	4,266
314	commutations & lump sum retirement benefits	450	13	463
0	lump sum death benefits	0	0	0
	<b>Payments to and on account of leavers</b>			
0	refunds of contributions	0	0	0
0	transfers out to other schemes	0	2	2
1,903	<b>Net amount payable for the year</b>	2,406	-401	2,005
-1,903	Top-up grant receivable / payable to central government	-2,406	401	-2,005
0		0	0	0

**Net Assets Statement for the year ended 31st March 2014**

Total £000		FPS £000	NFPS £000	Total £000
	<b>Net current assets and liabilities</b>			
	<b>Current Assets</b>			
	contributions due from employer	0	0	0
-15	pension top-up grant receivable from central government	416	0	416
	recoverable overpayments of pensions	0	0	0
	<b>Current Liabilities</b>			
	unpaid pension benefits	0	0	0
	amount payable to central government	-416	0	-416
	other current liabilities	0	0	0
15	amount owing to general fund	0	0	0
0		0	0	0

**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 wholtime 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 wholtime 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 2013/14. 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 34 of the Notes to the Accounts



## Glossary of terms

### Accounting Policies

Those principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in Financial Statements through recognising, selecting measurement bases for, and presenting Assets, Liabilities, Gains, Losses and changes to Reserves. Accounting policies do not include estimation techniques.

### Accounting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Council. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

### Accrual

An amount to cover income or spending that has not yet been paid but which belongs to that accounting period.

### Actuary

An adviser on financial questions involving probabilities relating to mortality and other contingencies. Every three years the Scheme appointed actuary reviews the Assets and the Liabilities of the Fund and reports to the Group Director of Enabling & Transition on the financial position. This is known as the triennial actuarial valuation.

### Active Investment Management

A style of investment management where the fund manager aims to outperform a benchmark by superior asset allocation, market timing or stock selection (or by a combination of all 3).

### Actuarial Gains and Losses

For a Defined Benefit Pension Scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

### Admitted Body

An organisation that chooses and is allowed by the Scheme to be admitted to the LGPS using an Admission Agreement in order to provide access to the Scheme for some or all of its employees.

### Amortisation

The writing down in book value of Intangible Assets to reflect the Asset's usage.

### Additional Voluntary Contributions (AVC's)

Contributions over and above a member's normal contributions which the member elects to pay in order to secure additional benefits.

### Benefits in Kind

Benefits in Kind are items provided to an employee on top of their salary that are considered to benefit the employee. Benefits in Kind can be varied and wide ranging. Some of the most common of these benefits include fuel allowances, leased cars, mobile phones, beneficial or low rate loans, and contributions to schemes such as private medical insurance.

### Capital Expenditure

Includes spending on the acquisition, creation or enhancement of Assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Expenditure not falling within this definition must be charged to the General Fund as Revenue Expenditure.

## **Class of Tangible Fixed Assets**

The classes of Tangible Fixed Assets required to be included in the accounting statements are:

### **Operational Assets**

- Land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets

### **Non-operational Assets**

- Assets under construction
- Surplus assets held for disposal.

## **Code of Practise (CODE)**

A publication produced by CIPFA that provides comprehensive guidance on the content of a Council's Statement of Accounts.

## **Community Assets**

Assets that the Council intends to hold in perpetuity that have no determinable useful life, 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. It's value is determined by fluctuations in the underlying Asset. The most common underlying Assets include stocks, bonds, commodities, currencies, interest rates and market indexes.

## **Disclosure**

Information we must show in the accounts under the CIPFA code of practice.

## **Discretionary Benefits**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the council's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

## **Estimation Techniques**

The methods adopted by an Entity to arrive at estimated monetary amounts corresponding to the measurement bases selected for Assets, Liabilities, Gains, Losses and changes to Reserves. Estimation techniques implement the measurement aspects of Accounting Policies. An Accounting Policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique.

## **Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

## **Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the Accounts.

## **Exchange Traded Funds (ETFs/ET's)**

A fund that tracks a selection or 'basket' of related securities within a Stock Market Index but can be traded on an Exchange like a stock or share.

## **Extraordinary Items**

Material items possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

## **Fair Value**

The amount for which an Asset could be exchanged or a Liability settled at arms length between knowledgeable parties.

## **Finance Lease**

A Finance Lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

## **Funding Level**

The relationship at a specified date between the actuarial value of Assets and the Actuarial Liability, normally expressed as a funding ratio or percentage.

## **Futures Contracts**

A contract which binds two parties to complete a sale or purchase at a specified future date at a price which is fixed at the time the contract is effected. Exchange Traded Futures Contracts have standard terms and margin payments are required.

## **Going Concern**

The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the Accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

## **Government Grants**

The assistance by Government and Inter-Government Agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the council.

## **Guaranteed Minimum Pension (GMP)**

The minimum pension which a salary related Occupational Pension Scheme must provide in respect of contracted out contributions paid between April 1978 and 1997 as a condition of contracting out.

## **IFRS**

These standards are issued by the International Accounting Standards Board. They are adapted under the auspices of CIPFA so as to apply to local authorities and consolidated in the Code of Practice 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

<b>BVACOP</b>	Best Value Accounting Code of Practice
<b>CFR</b>	Capital Financing Requirement
<b>CPFA</b>	Chartered Public Finance Accountant
<b>CPI</b>	Consumer Price Index
<b>DCLG</b>	Department of Communities and Local Government
<b>DEFRA (Defra)</b>	Department for Environment, Food and Rural Affairs
<b>DSG</b>	Dedicated Schools Grant
<b>FPS</b>	Firefighters Pension Scheme
<b>FSA</b>	Financial Services Authority
<b>GCC</b>	Gloucestershire County Council
<b>GFRS</b>	Gloucestershire Fire and Rescue Service
<b>GSWBP</b>	Gloucester South West Bypass
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>IAS</b>	International Accounting Standard
<b>ICES</b>	Integrated Community Equipment Service
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>ISB</b>	Individual School Budget
<b>IT</b>	Information Technology
<b>LAAP</b>	Local Authority Accounting Panel
<b>LAMS</b>	Local Authority Mortgage Scheme
<b>LASAAC</b>	Local Authority (Scotland) Accounts Advisory Committee
<b>LATS</b>	Landfill Allowances Trading Scheme
<b>LEP</b>	Local Enterprise Partnership
<b>LGPS</b>	Local Government Pension Scheme
<b>LOBO</b>	Lender Option Borrower Option (Loans)
<b>MRP</b>	(Statutory) Minimum Revenue Provision
<b>NFPS</b>	New Firefighters Pension Scheme
<b>NHS</b>	National Health Service
<b>NNDR</b>	National Non-Domestic Rates
<b>NPV</b>	Net Present Value
<b>PCT</b>	Primary Care Trust
<b>PFI</b>	Public Finance Initiative
<b>PPP</b>	Public-Private Partnership
<b>PPE</b>	Property Plant and Equipment
<b>PWLB</b>	Public Works Loans Board
<b>RCCO</b>	Revenue Contribution to Capital Outlay
<b>RPI</b>	Retail Price Index
<b>RSG</b>	Revenue Support Grant
<b>SeRCOP</b>	Service Reporting Code of Practice
<b>TOIL</b>	Time Off in Lieu
<b>TPA</b>	Teachers' Pensions Agency
<b>VRP</b>	Voluntary Revenue Provision
<b>WG</b>	Welsh Government



# Annual Governance Statement

## 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 Officer Group, comprising, the Chief Executive, Director of Finance (S151) and the Monitoring Officer and when completed, the findings are reported to the Audit and Governance Committee.

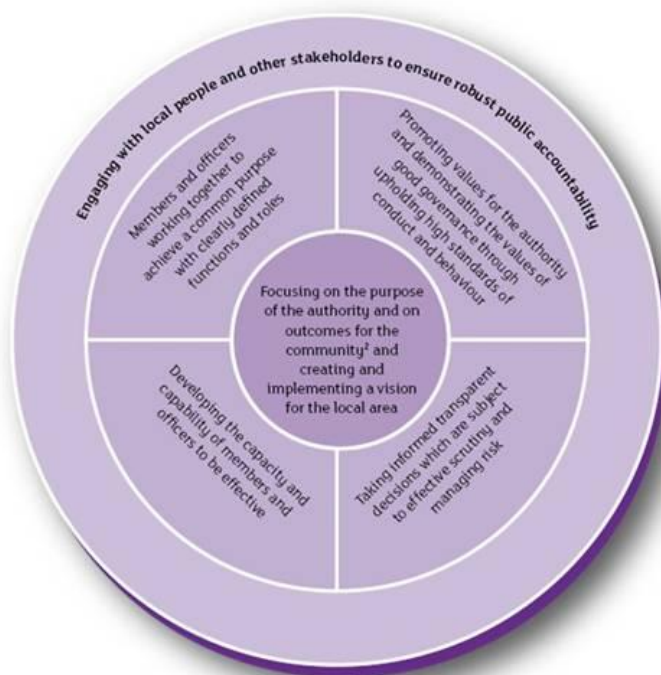
### What is Governance?

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 2013/2014, 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) 2013/2014

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 2013/2014 Code is attached at **Appendix 1**.

## Annual Governance Statement 2013/2014

The Council is also required by the Accounts & Audit (England) Regulations 2011 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 publication, Local Government Governance Review 2014 – Working in Tandem.

### 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 2014 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 2014** (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://glostext.gloucestershire.gov.uk/documents/s20796/IssueNo21April2014.pdf>

- ❑ **The Council Strategy 2011-2015 (2014/2015 update)**, defines the Council's key priorities and plans, following full consultation with the communities of Gloucestershire.  
<http://www.gloucestershire.gov.uk/CHttpHandler.ashx?id=42252&p=0>
- ❑ **Medium Term Financial Strategy 2013/14 to 2015/16** (describes the Council's financial strategy and detailed budget to meet the priorities of the Council's Strategy). <http://www.gloucestershire.gov.uk/CHttpHandler.ashx?id=59394&p=0>
- ❑ **Anti Fraud and Corruption Policy Statement and Strategy 2014/2015** (defines the Council's response to fraud and irregularity).  
<http://www.gloucestershire.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.gloucestershire.gov.uk/article/104745/Performance--spending>
- ❑ **Risk Management Policy Statement and Strategy 2013-2014** (defines how risk is managed within the Council and our partners).  
<http://www.gloucestershire.gov.uk/article/105641/Code-of-Corporate-Governance>
- ❑ **Information Management Policies** (defines how the Council's information is managed and secured. <http://www.gloucestershire.gov.uk/extra/information-management-policies>
- ❑ **Code of Conduct for Members and Co-opted Members of GCC and Register of Interests** (defines the expected standard of conduct by Members).  
<http://www.gloucestershire.gov.uk/search?q=members&go=Go>
- ❑ **Members training programmes and briefings** (to support continued Member development). <http://www.gloucestershire.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** 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.gloucestershire.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 2013/2014 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 2013/2014, 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 2013/2014;
- ❑ Any comments made by the Council's External Auditors; and
- ❑ Any other review agencies and inspectorates.

In undertaking the 2013/2014 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 Officer Group, (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 / 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;
  - 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 Process**

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 now includes a Lead Cabinet Member overview and oversight and robust challenge by the Council's Statutory Officer Group. This assurance process is a significant contributor to the formulation of the AGS and any associated improvement areas.

### **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 from 2013/2014, nominated Heads of Service are 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.

### **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 have countersigned 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/Deputy Chief Executive**

When the Directors/Lead Cabinet Members were confident that they had 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 and/or the Deputy Chief Executive, (as relevant to line management responsibilities), 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.

### **Head of Paid Service (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 2012/2013 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 2012/2013 governance review. Where actions have been partially completed or deferred, they have been included within the 2013/2014 improvement plan at **Appendix 4**.

## 6. Key findings identified during the 2013/2014 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 2013/14, 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 recently 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 2013/2014, 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 Boards; 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 Council's 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 2013/2014 provides an overview of the effectiveness of risk management within GCC and can be found at

<http://glostext.gloucestershire.gov.uk/ieListDocuments.aspx?CId=655&MId=7717&Ver=4>

The extract below demonstrates where external recognition has been provided as to GCC's effectiveness.

### Insurance Tender

In June, 2013 the Council's Long Term Agreement with insurers expired. Since June 2012, Risk Management and Insurance Services (RMIS) have been involved in compiling the risk management information throughout the Authority that relates to the insurable risks, to provide assurance to potential bidders that GCC has a good risk profile to keep premiums as low as possible.

Significant risk management data was provided within the Invitation to Tender and at the 'insurer's day'. The outcome was very successful with the Council achieving, with effect from 2013/2014, a 12% reduction in annual insurance premiums (3 year contract) when compared to 2012/2013 premiums, on a like for like basis. The tender report produced by MARSH relating to Gloucestershire County Council in May 2013 reported the following:

'It should be noted that the winning bids offer a very competitive deal in the current market and it is attributable to the robust risk management practices embedded throughout your organisation. All key markets who attended the insurers meetings before the tender started have commented how impressed they are with Gloucestershire's management of risk and in all cases have rewarded the Authority for this'.

### 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.

During 2013/2014, the Council developed and implemented 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.

### **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* and *being prepared to take a "calculated" risk*. 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 2013/2014 highlighted that in **97%** of the audited areas, Internal Audit rated the effectiveness of the risk management arrangements as substantial or satisfactory, with 42% rated as substantial and 55 % satisfactory, with the remaining 3% 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.

This year Internal Audit reviewed the arrangements operating within Safeguarding Children, Reablement, Business Service Centre, Public Health Transition and ICT Disaster Recovery and Business Continuity.

### **Management Assurances**

The assurance statements obtained from all Directors and Service Heads, provided assurance that **84%** 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 2013/14, regular financial monitoring reports were presented to 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 over £35 million, an overall under spend of around £0.1 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 suggested that it was the time to review the Council's approach to tackle fraud and introduce new arrangements, to ensure that the Council has a resilient response to the changed conditions.

### **Revised Anti Fraud and Corruption Policy Statement and Strategy 2014/2015**

During 2013/2014, the Council revised its Anti Fraud and Corruption Policy Statement and Strategy 2014/2015, which was developed in line with national public sector standards. The approved strategy had been communicated 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's 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 2013/14 the external auditors found no material weaknesses in the system of internal control within the Council.

Regarding internal audit reports, the Audit and Governance Committee have, during 2013/14, 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 2013/14, two "limited assurance" internal audit reports were issued (representing 6% of the overall audit activity) which related to, Client Affairs and an audit reported in an exempt session, to Committee, on the 27th June 2014.

Whilst 6% of the audited activity was rated as a limited opinion, **94%** of the activities reviewed have received either a substantial (13%) or satisfactory (81%) opinion on control.

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 in relation to the 2012/13 financial year.

During the latter part of 2012/2013, the Audit Committee changed its role and associated terms of reference, taking on additional governance responsibilities such as oversight of Members Conduct. In addition, the Chairman and the membership changed due to the elections in May 2013.

As such the Committee was renamed "The Audit and Governance Committee" and 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.

### **Action required**

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. 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 2013/2014 governance review, as set out in **Appendix 4** of the statement.



## Internal Audit effectiveness

The Accounts and Audit (England) Regulations 2011 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 2013/2014 which provides further information about the effectiveness of the Internal Audit function and its findings.

<http://glostext.gloucestershire.gov.uk/ieListDocuments.aspx?CId=655&MId=7717&Ver=4>

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 also state that internal audit should conform to 'proper practices' and it is advised that, during 2013/14 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 have both been amended to reflect the requirements of new standards.

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

The Standards consist of 4 overarching categories, (containing 209 detailed questions) and set out how the internal audit service should perform its functions. As such, the Chief Internal Auditor undertook a self assessment against the standards, benchmarking the service against this proper practice.

## Key area of non conformance

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:

- ❑ 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.

**Action Required:** 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.

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 2013/2014 governance review, as set out in **Appendix 4** of the statement.

## 6.8 Challenge Board

The Challenge Board'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 2013/14 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.

The Challenge Board reports directly to the Corporate Management Team on a monthly basis and as issues arise.

## **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 satisfactorily.

### **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 31 March 2013 and the final report was published in March 2014, as a result revised employer contribution rates were agreed and implemented from 1 April 2014. Most employers have agreed to make payment by way of a percentage of salaries of active employees and a monetary amount as a contribution towards the deficit on accrued benefits.

Following on from the 2013 triennial review, a new funding strategy statement was produced by the fund's actuaries.

This has largely been rewritten to make it more readable and to reflect the CIPFA 2012 guidance on 'Preparing and maintaining a funding strategy statement'.

During the year the Gloucestershire Pension Fund responded to a consultation on LGPS - new governance arrangements. New regulations are due out shortly which will prescribe these arrangements. It is expected that Pension Boards will be introduced with a scrutiny function, but clear details of the various roles and responsibilities of the Pension Board, the Pension Committee and Officers are not known at the moment.

Following the triennial review the Fund will carry out a strategic asset review and any changes will be included in a revised statement of investment principles. This review has been delayed pending the outcome of the recently issued consultation from the Department for Communities and Local Government (DCLG) on opportunities for collaboration cost savings and efficiencies in the LGPS.

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 2014 sets out a timetable for the review of key policies, which are revised if necessary.

The Governance Compliance Statement (June 2013) 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. The requirements may change as part of the new governance regulations.

### **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.

During the year the Gloucestershire Pension Fund responded to a call for evidence which looked at the merits of having 89 pension funds within the LGPS. DCLG has now published its proposals, ruling out mergers at this time, but advocating more joint working such as the use of common investment vehicles.

### **Performance Monitoring**

All of the fund managers report regularly on their performance to the Pension Committee. The Pension Committee also receives advice on the financial markets, the strategic asset allocation and fund management from an independent advisor. This year it was decided to reduce the attendance of each fund manager to one occasion per annum.

However this is supplemented by the Chair of the Pension Committee, key officers and the independent advisor arranging to meet the managers in London. Meetings have been held in January and March covering all six of the main fund managers and two further meetings are scheduled for July and October.

In addition the custodians measure 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. Fees paid to two of the fund managers were on a performance basis linked to an agreed benchmark. A decision was made to change one of these to an ad valorem (percentage of funds) basis to reduce costs.

Following the 2013 elections three new elected members were appointed to the Pension Committee. In addition there was a new employee representative. In accordance with Myner's principal 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. Three of the four new Committee members attended 3 days of fundamental pensions training in Autumn 2013 and the other member attended 2 days of the same training. Prior to the first meeting of the new Pension Committee following the County Council elections, an in-house training day took place for the Committee, with training provided by officers, the Fund's independent advisor and external fund managers. All the new Committee members received the benefit of this in-house training.

### **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.

The risks have been revised and updated, and reported to the Pension Committee. This is to be supported by a full risk register evaluating both the inherent and the residual risks to the fund.

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 is due for review in 2014 and is planned to take place once the results of the consultation on collaboration, savings and efficiencies in the LGPS are known.

### **Pension Fund Administration**

The Gloucestershire Pension Fund participates in the annual CIPFA Benchmarking Club that compares them to 52 other LG Pension Funds. The latest results show that the costs per member are slightly less than 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 administration officers. The new regulations represent a significant change to the scheme and will impact on calculations which are likely to reflect both pre-2014 and post-2014 benefits. Internal Audit is due to review the implementation of LGPS 2014 during 2014/15. Meanwhile audits of pension contributions and pension transfer payments have resulted in substantial assurance on risk for both pieces of work and substantial and satisfactory assurances, respectively on control.

The Pension Administration Section continue to carry out a variety of exercises to mitigate against risk of losses to the fund including validation of pension contributions and data matching between the pensions database and the pensioners payroll.

## **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 2013/14) 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**

### **External Audit**

In terms of the Governance statement for 2013/14, further key assurance has been obtained from the most recent Annual Audit Letter produced by the External Auditors and reported to the Audit and Governance Committee in January 2014. In this letter the auditors set out their responsibilities for giving 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.

In relation to the above, the external auditor issued an unqualified opinion, stating that the Council had proper arrangements in place for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness in its use of resources. No significant weaknesses were identified by the External Auditor.

## Local Government Association peer review

As part of Local Government's approach to sector-led improvement, the Local Government Association offers each local authority the opportunity of a Peer Challenge every three years. Peer challenges are managed and delivered by the sector for the sector. They are improvement focused and tailored to reflect the local needs and specific requirements of the 'host' Council.

Gloucestershire County Council's Peer Challenge took place during October 2013 and involved a peer team comprising:

- ❑ Former Chief Executive of Derbyshire County Council;
- ❑ Leader of Lincolnshire County Council;
- ❑ Strategic Director (Communities), Warwickshire County Council;
- ❑ Improvement Programme Director, Nottinghamshire County Council;
- ❑ Private Sector Consultant;
- ❑ Deputy Director, Accountability and Transparency, DCLG; and
- ❑ Programme Manager, Local Government Association.

The process involved a range of Members, Officers and Partners of Gloucestershire County Council and the agreed local focus of the Peer Challenge was to test the following areas:

- ❑ The effectiveness of the Council's Operating Model;
- ❑ The arrangements for securing cross-political party collaboration in decision-making; and
- ❑ Our emerging thinking about Demand Management, in the context of continuing financial challenges.



After spending a week on site and meeting with over 100 people, the Peer Challenge team's findings and report was overwhelmingly positive and endorses the strategic direction the Council is taking as well as highlighting a number of specific areas of good practice. They found that:

- ❑ We have a well run Council, with strong leadership at Member and Officer level;
- ❑ We are managing the financial challenges we face effectively, and that we are developing robust plans to handle the future budget gap; and
- ❑ We have developed an ambitious and forward-looking new 'commissioning' model that is based on sensible and achievable outcomes, and is delivering savings.

They also made a number of recommendations which encouraged us to develop our approach to demand management as a means of meeting the further financial challenges ahead.

The recommendations were about the Council's overall strategic direction and planning, rather than specific operational issues. For that reason, they have been given full consideration, as part of the development of the Council's revised Strategy.

### **Information Commissioner review**

The Information Commissioner is responsible for enforcing and promoting compliance with the Data Protection Act 1998 (the DPA). Section 51 (7) of the DPA contains a provision giving the Information Commissioner power to assess any organisation's processing of personal data for the following of 'good practice', with the agreement of the data controller. This is done through a consensual audit.

Gloucestershire County Council agreed to a consensual audit by the Information Commissioner's Office (ICO) of its processing of personal data. The audit assessed GCC's compliance with its obligations under the DPA and the Freedom of Information Act 2000 (FOIA), the utilisation of ICO guidance and good practice notes, and the effectiveness of activities with specific reference to records management, security of personal data and the processes in place to respond to any requests for information. The audit identified that:

- ☐ there is a robust Information Management and Security framework in place;
- ☐ there is an internal audit planning cycle which takes account of areas of risk which are taken from the relevant service and strategic risk registers;
- ☐ procedures are in place for the storage, tracking and destruction of manual records; and
- ☐ the Council's processes in place for the monitoring and completion of requests under FOIA appear robust and compliance with statutory timescales is high.

Some improvement areas were identified, however subsequent follow up audits by both the Information Commissioner themselves, and the Council's Internal Audit service have reported that either the recommendations have been addressed and/or good progress is being made to deal with the outstanding issues.

### **6.13 Implementation of a new 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 Board (CAB)**

In addition, a Commercial Assurance Board 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.

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

Cabinet and individual Cabinet Members decision making arrangements continued to operate effectively during 2013/14.

In terms of scrutiny, a key piece of scrutiny work undertaken during the year related to the scrutiny of the Council's 2014/2015 budget process, with a report being submitted to, and considered by Cabinet, as part of the budget setting process.

The Council's Scrutiny Committees are listed below:

- ☐ Health and Care Overview and Scrutiny Committee;

- ☐ Children and Families Overview and Scrutiny Committee;
- ☐ Environment and Communities Scrutiny Committee; and
- ☐ Overview and Scrutiny Management Committee.

More information on the roles and responsibilities of these can be accessed at:  
<http://glostext.gloucestershire.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 2013/2014, an enhanced procedural framework for documenting and publishing executive decisions taken by officers under delegated powers, which includes decisions taken over £250k, was implemented. This has embedded further accountability and enabled challenge to decisions, prior to them being formally approved. The Council's Constitution has been updated to reflect the changes.

### **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 2013/14. 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. In 2013/14, no findings of maladministration were made.

### **6.17 Strategic Partnerships - Leadership Gloucestershire**

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 has overseen the successful creation of important new bodies, such as the Health and Wellbeing Board, the Local Enterprise Partnership and now the Economic Growth Joint Committee.

It has also critically reviewed shared services and developed a protocol for future joint working. It has driven significant changes in terms of joint working on assets and shared properties. Leadership Gloucestershire has taken a keen interest in community budgets and the Families First programme.

The Local Government Association's Peer Review of Gloucestershire County Council in October 2013 gave feedback on Leadership Gloucestershire. They said:

*“Leadership Gloucestershire is highly regarded as the forum that brings together the leaders of the public sector organisations which allocate or spend significant resources in the county. It has enabled cross-county and sector collaboration on key issues, including business rates retention, and is currently supporting the development of a county-wide approach to economic growth. We saw this as the forum through which further exploration of pooled budgets, shared services and other public sector wide solutions could be progressed.”*

These pages set out the arrangements for strategic partnership working in Gloucestershire. <http://www.gloucestershire.gov.uk/extra/leadershipgloucestershire>

### **Risk Leadership in partnerships and alternative delivery models**

The range of partnerships and alternative 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 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.

## **7. Significant Governance Issues**

### **Ongoing changes to the Council's governance structures**

The County Council is increasingly using commissioning and partnerships with other local authorities and sectors as a vehicle for delivering public services. Whilst the benefits of this are widely recognised, partnerships and the cross cutting issues with which they often deal, create some challenges for clear accountability and good governance. The County 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 recent recession and the on-going deficit reduction programme of government bring many challenges to the public sector, beyond the immediacy of the reductions in funding flowing from the spending reviews in 2010 and 2013.

The reduced funding availability also coincides with financial and service pressures continuing to build as a result of demographic change, in particular an ageing population and an increase in the demand for school places and the need to support vulnerable people during times of austerity.

Local government has been undergoing significant change, driven by the economic downturn and financial pressures as well as the introduction of new roles, opportunities and flexibility for councils in the form of the Localism Act and other key legislation.

The Council faced a challenging year in 2013/2014 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 and the implementation of the New Operating Model. The environment for 2014/2015 and beyond will continue to be extremely challenging with a need to continue to identify significant cost reductions over the medium term. However, the Council has demonstrated its ability to deliver such savings and service realignment, and continues to develop plans to address the challenge.

## **Public Consultation - Major Change Programmes**

### **Meeting the Challenge – Together we can**

Four years ago the Council launched Meeting the Challenge, which was our plan to save £114million. The good news is that we're on track to make the savings we need by the end of this financial year.

But that's not the end of the story. We're about to start work on our next financial challenge and we are requesting the communities of Gloucestershire's views on what we're planning. In the 1940s and 50s, it was the norm for people to turn to their families, friends and communities when they needed support. Over the years, things gradually changed and today people now see the Council as the first port of call and we have more customers than ever. Healthcare has improved so people with complex problems are living longer needing ongoing support. Couple that with a continued reduction in our funding and we start to see a growing gap between what people expect us to do and what we can actually afford – a gap of around £25million per year.

What we're looking at is a fundamental change in our approach to supporting people. We need to go back to the days where communities were stronger and people looked out for each other in their own neighbourhoods so we can protect the most vulnerable.

We know there are already excellent community networks and groups running and we want to work with them, share their local knowledge and invest where we think something can be developed further to help individuals and families.

Therefore, over the next two months we will be starting the next big conversation about our future direction. The conversation, which we are calling “Meeting the Challenge - Together we can”, will highlight the pressures the Council is facing and outline our planned approach to tackling them. We will be talking to staff, partners, providers, customers, community groups and organisations and the general public.

## **Health and Social Care Act 2012**

Public Health services have been restructured nationally and locally. At a national level, a new body, Public Health England oversees the public health system and are accountable to the Secretary of State.

At a local level, local authorities now have the responsibilities for public health and whilst objectives will be set nationally for improving population health, local authorities have the freedom to determine the means by which they are achieved.

From April 2013, responsibility for commissioning of public health services transferred to the Council as part of the Government’s reform of the health system.

The Council now has a new statutory duty to promote the health of the population it serves, and responsibility for commissioning specific public health services, supported by a ringfenced budget.

Continued focus will be needed to ensure that public health integrates effectively with the Council’s strategy for serving the communities of Gloucestershire.



## 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:**



Peter Bungard  
Chief Executive



Mark Hawthorne  
Leader of the Council



Jo Walker  
Director: Strategic  
Finance (S151)

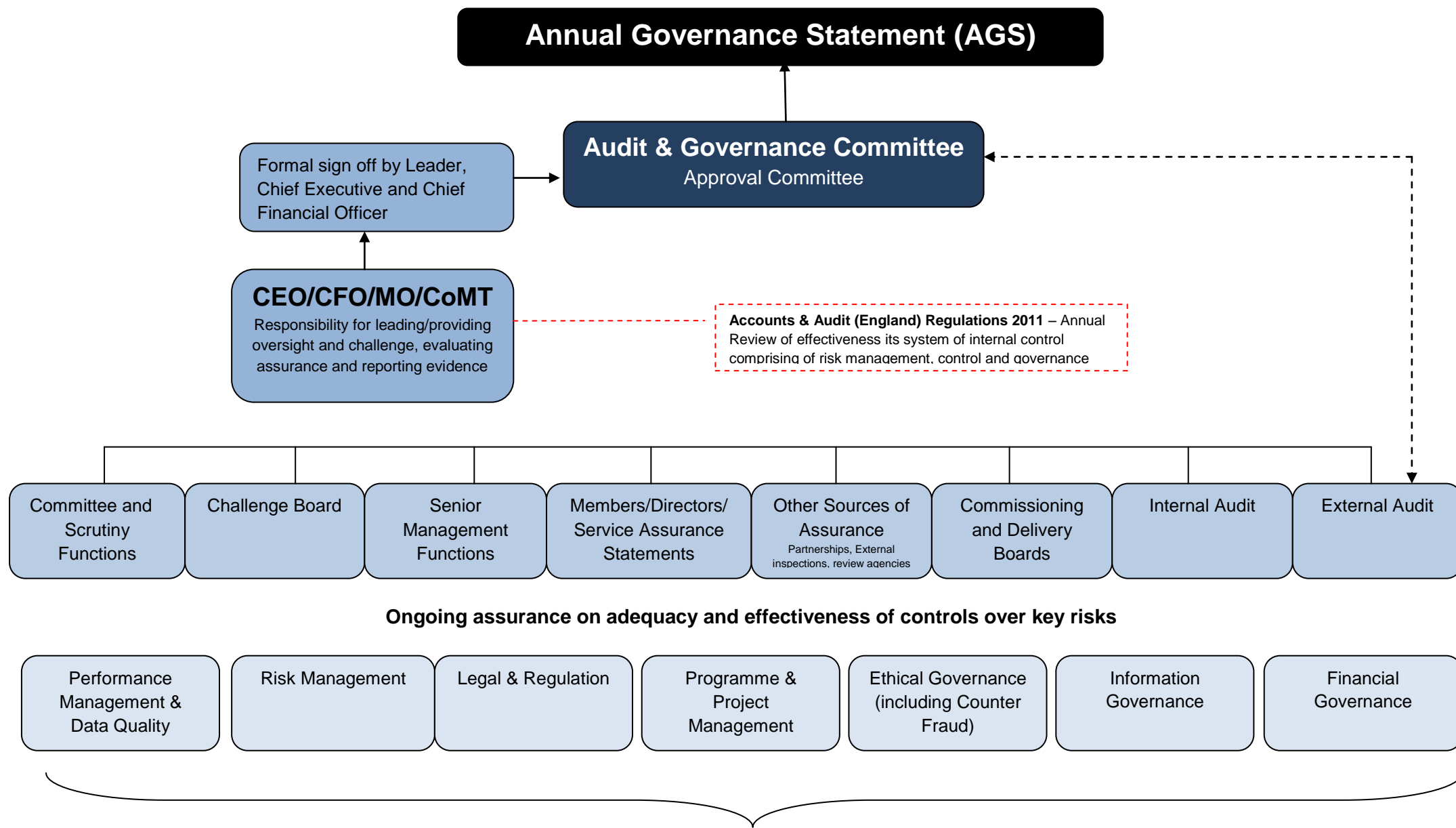
**Date:**

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7 July 2014

# Gloucestershire County Council's Governance Framework 2013/2014



## Progress on 2012/2013 Governance Issues

As a result of the 2012/2013 review of governance arrangements, the following governance issues were identified. Progress on these issues are summarised below.

Action	Status
<p><b>Review of revised good governance guidance</b></p> <p>The Chief Internal Auditor will undertake a review of the revised guidance during 2013/2014, and develop proposals designed to further enhance the Council's current governance and ongoing assurance arrangements to ensure they continue to reflect good practice, taking into consideration the Council's New Operating Model.</p> <p>In addition, the Council's Local Code of Corporate Governance will be updated to meet the requirements of the new guidance and will be presented to the Audit and Governance Committee, before going to full Council for approval.</p>	<p><b>Complete</b> - Please refer to pages 8 and 9 of this report which explains the strengthened governance assurance arrangements implemented during 2013/2014.</p> <p><b>Complete</b> – Please refer to Appendix 1</p>
<p><b>Cotswold Water Park actions - Internal Audit compliance review</b></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> <ol style="list-style-type: none"> <li>1. Disposals of Property;</li> <li>2. Complaints Policy/System;</li> <li>3. Officers Scheme of Delegation; and</li> <li>4. Employees Code of Conduct.</li> </ol>	<ol style="list-style-type: none"> <li>(1) <b>Complete</b> – A substantial audit opinion on control was provided and presented to the Audit and Governance Committee on 26<sup>th</sup> September 2013.</li> <li>(2) <b>Partially Complete</b> – A satisfactory audit opinion on control was provided to the Audit and Governance Committee on 27<sup>th</sup> June 2014. However, a further follow up review is planned during 2014/2015.</li> <li>(3) <b>Deferred</b> - To enable the revised decision making processes to be fully embedded into the Council's decision making processes, Internal Audit included a review within the 2014/2015 Internal Audit Plan, the outcome to be provided to the Audit and Governance Committee during 2014/2015.</li> <li>(4) <b>Complete</b> - A satisfactory audit opinion on control was provided to the Audit and Governance Committee on 27<sup>th</sup> June 2014.</li> </ol>

Action	Status
<p><b>Audit self-assessments against mandatory auditing standards/revised guidance</b></p> <p>Due to the changes in the role and functions of the Audit and Governance Committee and the changes in the mandatory standards relating to Internal Audit, self-assessments will be undertaken during 2013/2014, led by the Chief Internal Auditor, against the required standards and guidance issued by the relevant professional bodies, addressing any issues highlighted.</p>	<p><b>Internal Audit</b></p> <p><b>Complete</b> - A full self assessment against the Public Sector Internal Audit Standards 2013 was undertaken during 2013/2014 with outcomes reported to the Audit and Governance Committee, via the Annual report on Internal Audit Activity on 27<sup>th</sup> June 2014.</p> <p><b>Complete</b> - The Audit and Governance Committees Terms of Reference have also been amended to reflect their revised role in relation to Internal Audit to conform to the standards.</p> <p><b>Audit and Governance Committee</b></p> <p><b>Deferred</b> - The appointment of the current Chairman and nine members of the Committee were made at the Council meeting 21<sup>st</sup> November 2012, with the first Committee meeting on 24<sup>th</sup> January 2013. In addition, revised CIPFA guidance on the function and operation of Audit Committees was published late 2013.</p> <p>Therefore, a self assessment evaluating the effectiveness of the Audit and Governance Committee will be undertaken during 2014/2015 which enables the Committee to provide examples of how the committee can add value and provide evidence of effectiveness.</p>

## Improvement Plan - 2013/2014 Governance Issues

As a result of the 2013/2014 review of governance arrangements, the following governance issues were identified.

Review Reference	Action	Target Date
<b>B/F from 2012/2013 Review</b>  <b>LCCG</b>  <b>Governance Principle 4.1-page 27</b>	<b>Cotswold Water Park actions - Internal Audit compliance review</b>  Internal Audit to review compliance with the following revised policies, systems and processes, reporting the outcomes to the Audit and Governance Committee:  <input type="checkbox"/> Follow up review of the Complaints Policy/System; and <input type="checkbox"/> Officers Scheme of Delegation	To be completed by 31st March 2015 as part of the 2014/2015 Internal Audit Plan
<b>B/F from 2012/2013 Review</b>  <b>AGS Page 21</b>	<b>Audit and Governance Committee self-assessment against mandatory auditing standards/revised guidance</b>  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.	To be completed by 31st December 2014

Review Reference	Action	Target Date
<p><b>2013/2014 Review</b></p> <p><b>AGS Page 22</b></p>	<p><b>Adherence to Public Sector Internal Auditing Standards 2013</b></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> <p><b>Action:</b> 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>To be completed by 31st December 2014</p>
<p><b>2013/2014 Review</b></p> <p><b>LCCG Governance Principle 1.3-page 11</b></p>	<p><b>Value For Money.</b> 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><b>Action:</b> 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>To be reviewed by 31<sup>st</sup> March 2015</p>

Review Reference	Action	Target Date
<p><b>2013/2014 Review</b></p> <p><b>LCCG</b></p> <p><b>Governance Principle 1.3-page 11</b></p>	<p><b>Environmental Impacts.</b> The County Council is required to:</p> <p>Measure the environmental impact of policies, plans and decisions.</p> <p><b>Action:</b> 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>	<p>To be included as part of the risk QA process from June 2014</p>
<p><b>2013/2014 Review</b></p> <p><b>LCCG</b></p> <p><b>Governance Principle 2.2-page 13</b></p>	<p><b>Scheme of Delegation.</b> 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><b>Action:</b> A detailed scheme of delegation is currently being developed by the Commissioning Director: Adults and Public Health.</p>	<p>To be finalised during 2014/2015.</p>

Review Reference	Action	Target Date
<p><b>2013/2014 Review</b></p> <p><b>LCCG</b></p> <p><b>Governance Principle 4.2-page 27</b></p>	<p><b>Executive decisions.</b> 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><b>Actions:</b> 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>To be completed by 31<sup>st</sup> March 2015</p>
<p><b>2013/2014 Review</b></p> <p><b>LCCG</b></p> <p><b>Governance Principle 5.1-page 31</b></p>	<p><b>Developing the capability of Officers.</b> 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><b>Action:</b> Political awareness sessions to be 'rolled out' to a wider number of staff by the Head of the Democratic Services Unit.</p>	<p>Ongoing throughout 2014/2015</p>



Review Reference	Action	Target Date
<b>2013/2014 Review</b>  <b>LCCG</b>  <b>Governance Principle 6.1-page 37</b>	<p><b>Scrutiny Function.</b> The County Council is required to:</p> <p>Publish an annual report on the activity of the scrutiny function.</p> <p><b>Action:</b> 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>	<p>To be completed by June 2014</p>