

Statement of Accounts **2015-16**



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Foreword to Narrative Report

These are times of unprecedented change for Gloucestershire County Council and our partners. We are facing considerable challenges at the same time as enormous opportunities. The challenges take the form of rising demand for the services we provide to the most vulnerable children, adults and families at the same time as facing continued reductions to our funding. The opportunities are about our relationships – with local people and communities, with our partners and with Central Government.

We have been at the forefront of negotiations with Whitehall for a devolution package which, if agreed, will provide the tools and incentives to drive economic growth and join up public services with our partners to a degree that hasn't been possible before.

The County Council is in a great position to benefit from these changes. Having delivered £114m of savings from our budget since 2011, in 2015/16 we launched the next phase of our strategy Meeting the Challenge: Together We Can.

We consulted extensively on this strategy and received overwhelming support for our proposed approach. This strategy is helping us to change the way we think about, plan and deliver support for vulnerable people. We are working with partners to provide people with information, advice and guidance that will help them live healthy lives and plan effectively for their future. We are working alongside communities and local groups to help them support local people to live independently. Where people need the Council's support, our first focus is on short-term interventions that help people back to health, wellbeing and independence and where our long-term support is needed, we are working in ways that help people to stay connected to, and be supported by, their communities.

Alongside this, we are working to ensure that Gloucestershire continues to be a great place to do business, by negotiating significant investment into the county, securing and delivering major infrastructure improvements and by helping local people develop the skills that will fuel our local economy.

At the forefront of the work of the Council and involved in all aspects of its extensive range of activities and initiatives is high quality financial management. This has resulted in the Council's accounts for 2015/16 being prepared earlier than ever before, with the accounts available to our auditors on the 6th June 2016, thereby providing residents and other stakeholders with the reassurance that financial management and reporting is very important to us. Our aim is to continue raising the standards of financial reporting and to ensure that the public are fully informed on how the funds we have received have been spent. The financial standing of the Council, despite the challenges that we face, remains very secure and robustly financially managed.



Cllr Mark Hawthorne
Leader



Peter Bungard
Chief Executive

Director of Strategic Finance's Narrative Report

Introduction

Welcome to Gloucestershire County Council's Statement of Accounts for 2015/16. The Statement of Accounts reports the income and expenditure on service provision for the financial year and the value of the Council's assets and liabilities at the end of the financial year. This is done in accordance with proper accounting practices, as defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and reflects a change in legislation applicable for 2015/16 (the Accounts and Audit Regulations 2015).

Whilst new legislation still requires our 2015/16 audited Statement of Accounts to be submitted to the Council's Audit & Governance Committee (our appropriate body) for approval by 30th September 2016, a new requirement is for all Local Authorities to have a common thirty day public inspection which must include the first ten working days in July. There is no longer a requirement for our Audit & Governance Committee to review the draft accounts, instead I am required before the 30th June to certify that the draft Statement of Accounts give a true and fair view of the Council's financial position at 31st March and its income and expenditure for the year. For the 2017/18 accounts onwards, the statutory approval date moves forward to the 31st July of each year, with the requirement for me to certify that the draft Statement of Accounts give a true and fair view moving to 31st May each year.

With future requirements in mind, our 2015/16 Statement of Accounts have been prepared earlier than ever before, with the Statement of Accounts being available to our auditors, Grant Thornton, on 6th June 2016. Achieving this earlier deadline, whilst continuing to produce a quality set of accounts, has only been possible due to the hard work and dedication of staff in Strategic Finance and across the whole Council.

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

This Narrative Report, replacing the Explanatory Foreword of previous years, provides information about Gloucestershire, including the key issues affecting the Council and its accounts. It provides a summary of the financial position at 31st March 2016 followed by an explanation of the Financial Statements, including information on significant transactions during 2015/16.

To comply with the Code, the information contained in the accounts is, by necessity, technical and very complex, hence the length of the accounts. The aim of this narrative report is to provide you with a wider overview of the financial position for the year ending 31st March 2016 and enable you to understand the key issues. It does this by providing an analysis of the budgeted and actual net expenditure for 2015/16 based on the management accounts, and then provides a summary of the key financial statements included within the statutory final accounts.

Our Plan

For most people in Gloucestershire outcomes are good and, if you look at the county as a whole, we have high levels of educational attainment and employment, good health and a high quality of life. Nevertheless a significant number of people still rely on the County Council and our partners to help to meet their needs.

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

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

While much of this change is positive, it does mean that our services, which were designed in a completely different era, needs to keep up with this changing picture. If we carry on trying to respond in the same ways, those services will become overwhelmed, cost more than we can afford, and deliver increasingly poor results for the people that rely on them.

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

Services for children and families and vulnerable adults together make up well over half of the Council's 2015/16 spend. For this reason, we cannot afford to exclude them from the need to make savings in the future. We do believe that, by focussing relentlessly on outcomes, we can improve the way we support the most vulnerable people as well as reducing spending in these areas.

As a result of positive changes the Council is making the number of adults needing long-term support from the Council has not increased however the cost of providing care to meet the needs of these individuals is increasing. This places additional pressure on all our services.

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

There remains a commitment to keep Council Tax low and by unstintingly pursuing every opportunity to reduce costs, improving the efficiency of all of our services and focus on the things that make the most difference for local people.

Our overall approach has the following main areas:

Active Individuals

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

Since launching our strategy in April 2015, we have:

- Upgraded our People's Network PCs, making it easier for people to get online who don't have internet access at home.
- Introduced free Wi-Fi to all our libraries.
- Made improvements to make it easier to access Council services online. This has included improving the process for van bookings for our Household Recycling Centres, and making it easier to find out about Adult Education courses.
- Launched a new mobile application to help people with a Learning Disability into employment.
- Mapped the county to identify all those places where members of the public can access the internet securely and safely and targeted training on those areas of the county with the lowest levels of internet use.

Active Communities

Despite the fact that it accounts for an increasing share of our budget, it is relatively unusual for people to need the council's help in order to live independently. With the help of family, friends and neighbours, most manage without the council intervening. Thousands of people across the county provide formal or informal care and without that support, the council would be completely unable to meet the demand for its services.

Since launching our strategy in April 2015, we have:

- Supported a huge variety of grassroots community activity by providing over 300 Active Together Grants worth £1.6m.
- Provided 60 grants worth £90,000 for activities for children and young people.
- Agreed an 'Active Communities' policy with partners to make sure that we work together to harness the energy of local communities to help themselves and provide support for people at risk of becoming lonely or isolated.
- Agreed a new Integrated Risk Management Plan for our Fire and Rescue service, focussed on working with communities to prevent emergencies and keep vulnerable people safe.
- Launched a pilot scheme through the Fire and Rescue service where fire safety volunteers can offer fire safety assessments in people's homes.
- Carried out £0.56 million worth of specific community led repairs and improvements to local roads through 181 Highways Local schemes, with more planned for completion before the end of the financial year.
- Worked with local schools to make sure there are enough places for a growing population of children and young people.

Getting People Back to Independence

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

Since launching our strategy in April 2015, we have:

- Continued to work closely with local hospitals to make sure that people are discharged as quickly as possible once their medical treatment is finished and they are ready to return home or move into another care setting, keeping delays amongst the lowest in the country.
- Begun the process of re-commissioning our Domiciliary Care services to ensure that they focus on improving people's outcomes and, whenever possible, increasing their levels of independence.
- Implemented the Children & Families Act, replacing Statements of Special Educational Need with new Education, Health and Care plans based on a more rounded view of a child's needs.
- Introduced a completely new approach to helping vulnerable children and young people get to school, college or training to make sure that access to education is considered as part of the wider needs of the young person and their family and our support is targeted where it is most needed.
- Won an award from the Municipal Journal in recognition of the joint work between service users and our Disability Team in reviewing the quality of service provision.

Being There When We're Needed Most

We want to be there for those who need us the most, even if that means making difficult decisions about what else we do and how much we spend doing it.

Since launching our strategy in April 2015, we have:

- Maintained a focus on performance and quality in the face of increased demand for both adult and children's services, with compliments for both areas increasing year on year and exceeding the number of complaints received.
- Reduced high levels of admissions to residential and nursing care, bringing us in line with similar areas.
- Developed workforce and caseload strategies to address issues with recruitment and retention, ability to meet demand and quality of service. We have successfully recruited an additional 50 children's social workers, laying the foundations for a more stable, experienced workforce in the future.
- Secured £1.5m through the Department of Education's Innovations Programme to develop different ways of working with vulnerable young people to improve their outcomes and reduce risk.
- Implemented a transformation plan for Children's mental health with the Clinical Commissioning Group and other partners and piloted a schools-based approach to improving children's mental health.
- Strengthened the line management of adult social care teams to ensure a strong focus on achieving the best possible outcomes with our resources.

- Renegotiated some of biggest contracts with social care providers to ensure that we continue to secure the best possible value for money for our most vulnerable service users.
- Created a specialist brokerage team to purchase all placements to ensure that the Council gets the best possible value for money.
- Rolled out Electronic Call Monitoring to all providers of Learning Disability services to make sure that service users get the support they need, to provide extra reassurance to families and improve the processing of payments, reducing associated costs.

Providing the Infrastructure for a Thriving Economy

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

Since launching our strategy in April 2015, we have:

- Continued to roll out superfast fibre broadband to nearly 90% of local homes and secured a further £2m of funding from Government for the next phase, enabling greater access to online information and services from home at a time that suits you.
- Won Large Project of the Year award at the Institute of Highway Engineers West Mercia Awards for our work on improvements to the 'Cheltenham and Gloucester' and 'Walls' roundabouts.
- Continued to invest at least £2.1m a year in flood alleviation.
- Achieved full planning permission and agreed to project manage the Cinderford Northern Quarter road, with work anticipated to start imminently.
- Received full planning permission for the Elmbridge roundabout project with work scheduled to begin on site in Spring 2016.
- Secured Government confirmation that a solution to the A417 'Missing Link' scheme will be brought forward and construction is likely to start in 2020/21.
- Attracted over £4m in Government funding and negotiated a deal with the Police and Crime Commissioner that will unlock the regeneration of the Blackfriars area of Gloucester City Centre and the refurbishment of Shire Hall.
- Awarded a contract to Skanska to introduce LED street lighting across the County, which will reduce the Council's carbon footprint and save £22m over the next 12 years.

Getting our Own House in Order

We will keep the Council's running costs to a minimum. That means, as the Council's overall budget decreases, so should the amount that is spent on activities that do not directly provide services to the public.

Since launching our strategy in April 2015, we have:

- Delivered over £20m in savings.
- Rolled out new ICT through the Worksmart programme to support flexible working across the Council's workforce and provide opportunities to reduce the amount of office space needed.

- Continued to generate revenue savings through the sale of Council property that is no longer needed.
- Established a new partnership with Gloucester City Council, including the appointment of a shared Managing Director/Commissioning Director.
- Submitted a devolution bid to central government that, if agreed, will give local partners the powers, tools and incentives to accelerate economic growth, improve health and social care, and make communities safer.

Overall

Our approach universally focuses on making a difference for local people. We recognise that not only is this approach a significant change in the way the Council thinks and works, but also that it has implications for Council partners, local communities and service users. In particular, we are working jointly with the Gloucestershire Clinical Commissioning Group (GCCG) to ensure that our strategies align and a number of the objectives within this strategy are shared objectives that are also reflected in GCCG's draft Sustainability and Transformation Plan.

Following extensive engagement and consultation exercise involving over 2,700 local people, there was clear and consistent support for our proposed approach, and a willingness to work with us to make it happen. All of the feedback received helped us to further develop our Council Strategy and to ensure that we are meeting our responsibility under the Public Sector Equality Duty to pay due regard to the needs of those groups whose characteristics are protected under the Equality Act .

Council Strategy

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

Environmental

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

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

Under the contract the authority is obliged to send all household residual waste produced within the county to the contractor, who has responsibility for treating the waste and managing the by products from the process, this includes recovery of energy.

People

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

Workforce Headcount

On the 1 October 2015, 3,881 individuals were employed by Gloucestershire County Council. In addition to those included in our headcount figures published on the transparency pages of our website, this number also includes employees from the Gloucestershire Fire and Rescue Service on a permanent or fixed term basis and those engaged on a casual basis where a mutuality of obligation exists.

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

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

Consideration of the Equality Duty and Decision Making

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

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

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

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

Benchmarking and sharing good practice

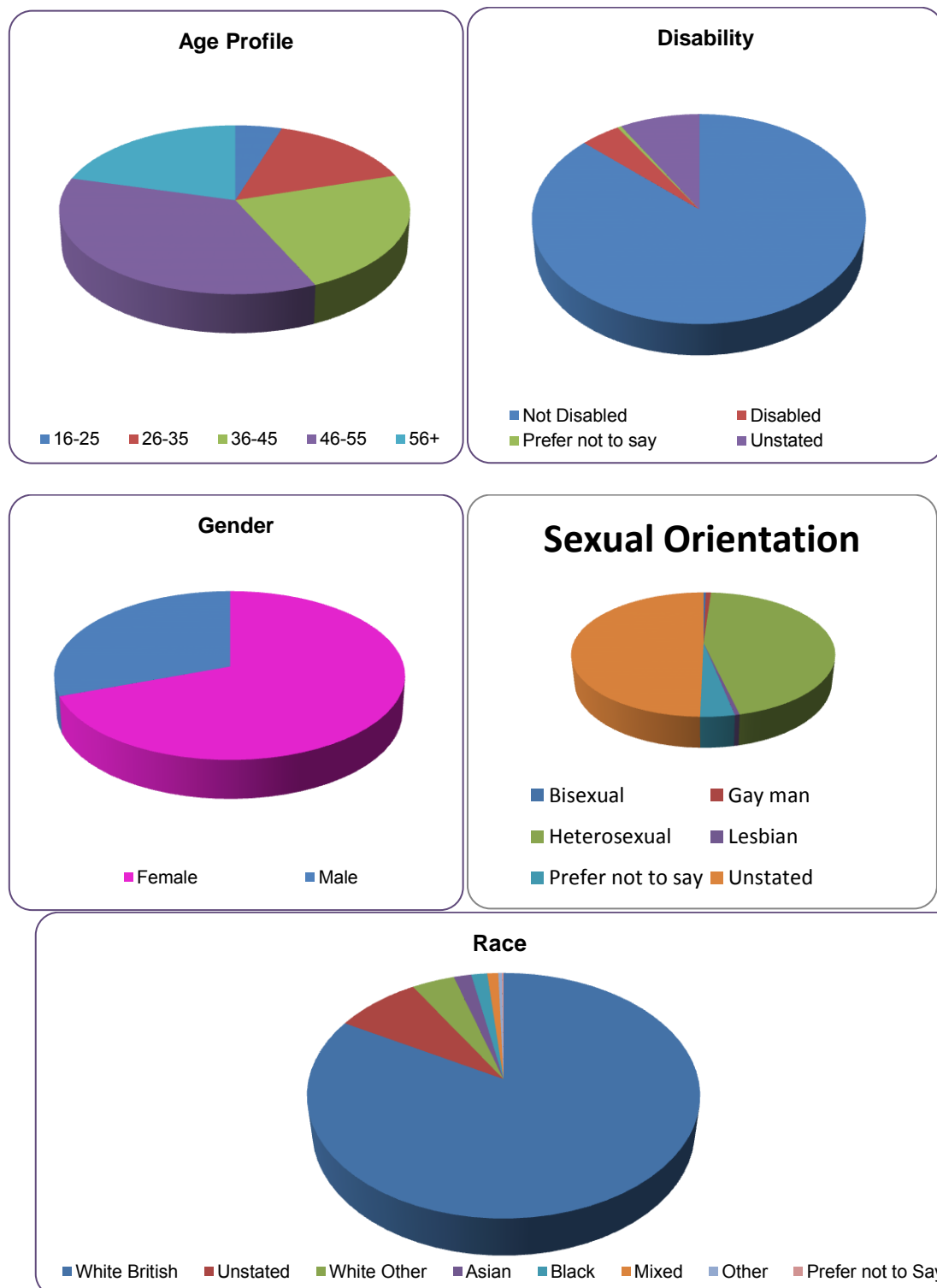
We continue to lead the Countywide Equalities Workforce Network, working in partnership with other public and private sector organisations. This group meets to address issues relating to each protected characteristic. The terms of reference for this network are:

- To act as a forum to share good practice with partner organisations in promoting equality and diversity in the workplace
- Disseminating good practice and information about policies and procedures relating to equality and diversity
- Encouraging collaborative working across members in relation to equality and diversity

- Facilitate good communication on equality and diversity issues across the county and surrounding areas
- Working in a complimentary manner with other forums and where appropriate develop synergies to help widen influence and consolidate equality outcomes.

It is intended to further encourage more private, voluntary and private sector organisations to become members of the forum over the next year, and to continue to monitor the effectiveness of the group in promoting best practice in equalities across the county.

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

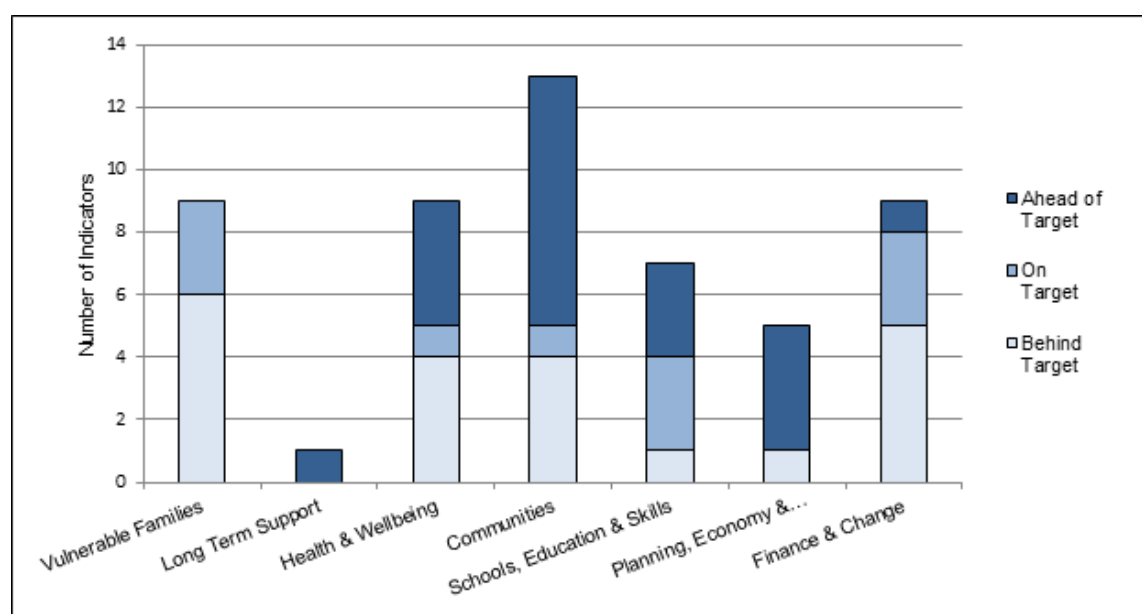


Further information from the Council's 2015/16 Workforce Equalities Report can be found on the Council's website at:

<http://www.gloucestershire.gov.uk/CHttpHandler.ashx?id=65348&p=0>

STRATEGIC PERFORMANCE

The graph below shows progress against our strategic outcomes using the core dataset from our Council Strategy. We have set ourselves ambitious targets to ensure we maintain a focus on what really matters to people living in Gloucestershire. Overall, 60.4% of the strategic indicators are on or ahead of target at the end of 2015/16.



Despite the pressure of increased demand on key services and the need to achieve significant savings, the Council has kept within its budget for 2015/16. We have saved around £21.5 million in 15/16 against a very challenging target of £26m. The biggest shortfall is in the area of adult social care where, broadly speaking, we are managing to maintain demand at existing levels and achieve some reductions in cost, but not seeing demand reduce significantly as a result of our preventative work. Plans for this, and other areas, are being reviewed and revised in order to ensure that we continue to address the anticipated shortfall and live within our means.

Working closely with other public sector partners, we have continued to rationalise the Council's estate and reduce the number of separate offices in use. During the year, we have taken back into our management those areas of the Shire Hall complex previously occupied by the Police and embarked on an ambitious programme of renovation that will also enable the regeneration of this part of the City. We have also updated the Council's Information and Communication Technology to make it more resilient and suited to flexible, modern working arrangements.

Although we missed our target for sickness/absence, overall levels are lower than for last year, and long-term absence remains the same. Absences resulting from stress have increased slightly and targeted interventions are in place for those teams where levels are high. We will continue to monitor this closely over the coming year to make sure that these are working.

Having seen a steady, long-term reduction in the amount of residual waste generated across the County, we are now struggling to bring it down further. Waste arisings, recycling rates and the percentage of waste sent to landfill are all at similar levels to last year, though we do expect to see a step change reduction in waste sent to landfill once the Javelin Park Energy from Waste Facility comes online.

Further information from the Council's Performance Report can be found on the Council's website at:

<http://glostext.gloucestershire.gov.uk/documents/s30344/Item%2013%20-%20Performance%20Report%202015-16%20Quarter%204.pdf>

FINANCIAL PERFORMANCE

Economic climate

Since 2011 Gloucestershire County Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services and greater volatility in financing. This process is on-going, will last until at least 2019/20, and will be continuously reviewed as the Council develops a stronger understanding of the financial challenges it faces. In November 2015 the Autumn Statement set out the strategic direction for public expenditure. This outlined a number of significant changes to the local government funding regime which will have a significant impact on the Council's finances over time. These include:

- Providing local authorities with the power to levy a 2% increase on Council Tax to fund social care. For Gloucestershire, this equates to an additional £4.7 million of revenue for 2016/17;
- By the end of the Parliament local government will retain 100% of business rate revenues to fund local services. In addition the Uniform Business Rate will be abolished and local areas will be able to cut business rates as at their discretion. The earliest these reforms are likely to be implemented is 2020;
- Greater flexibility for local authorities to use capital receipts to fund the revenue costs of business transformation projects;
- The government announced real-terms public health savings of 3.9% over the next 5 years and the Autumn Statement indicated that social care funds of £1.5bn would be made available by 2019/20 (beginning from 2017/18) for local government, to be included in an improved Better Care Fund; and,
- A National Funding Formula for Schools will be introduced in 2017/18.

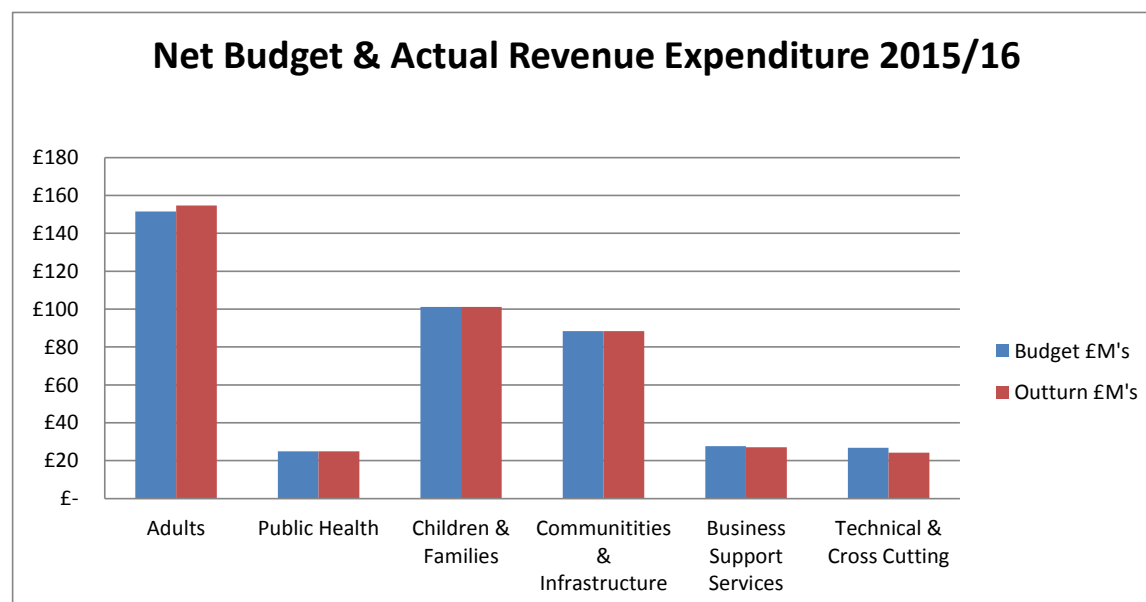
Revenue Budget and Outturn Position

The approved budget for 2015/16 was £420.03 million which represented a decrease in cash terms of £8.07 million, or 1.89%, compared with 2014/15. Under this budget the level of Council Tax was again frozen for the fifth year running. Due to the receipt of Local Services Support Grant (LSSG) during 2015/16, our revenue budget for 2015/16 was subsequently increased by £0.40 million, giving a revised budget of £420.43 million.

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

The revenue budget strategy for 2015/16 was to continue to maximise the delivery of efficiencies as early as possible. The Council is committed to robustly controlling budgets, has increased debt repayment and is continuing to streamline back office services, all of which contribute to protecting front line services, whilst minimising compulsory redundancies.

Following approved transfers to and from reserves, as set out in detail in note 2 to the accounts, the 2015/16 outturn position was a balanced budget position. Net budget and expenditure by service area is shown in the chart below.



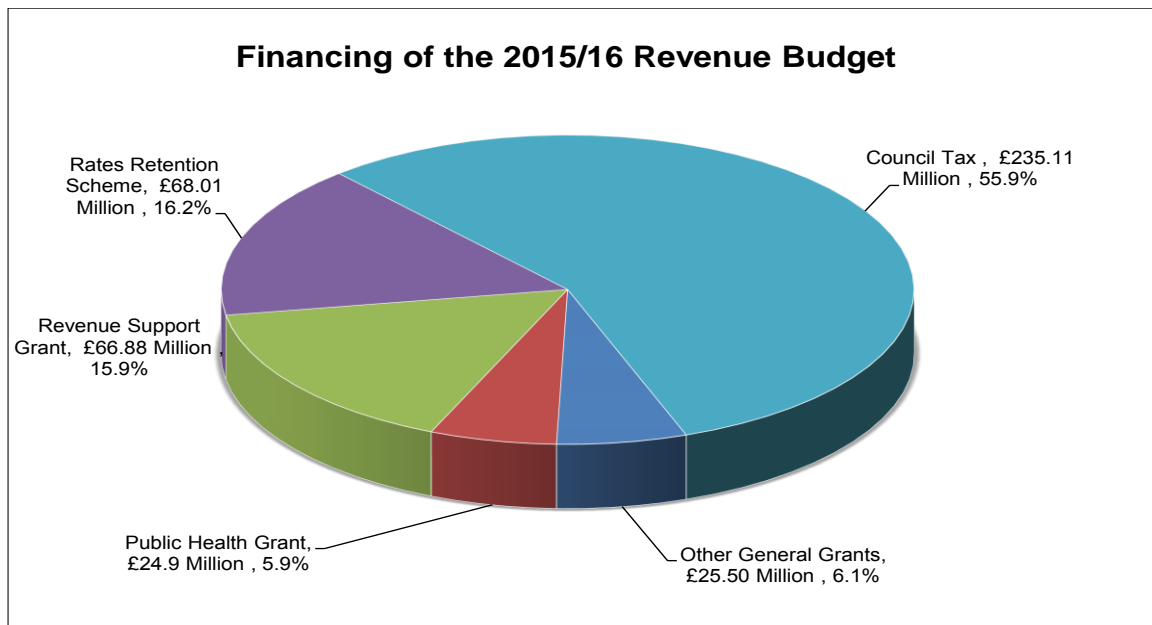
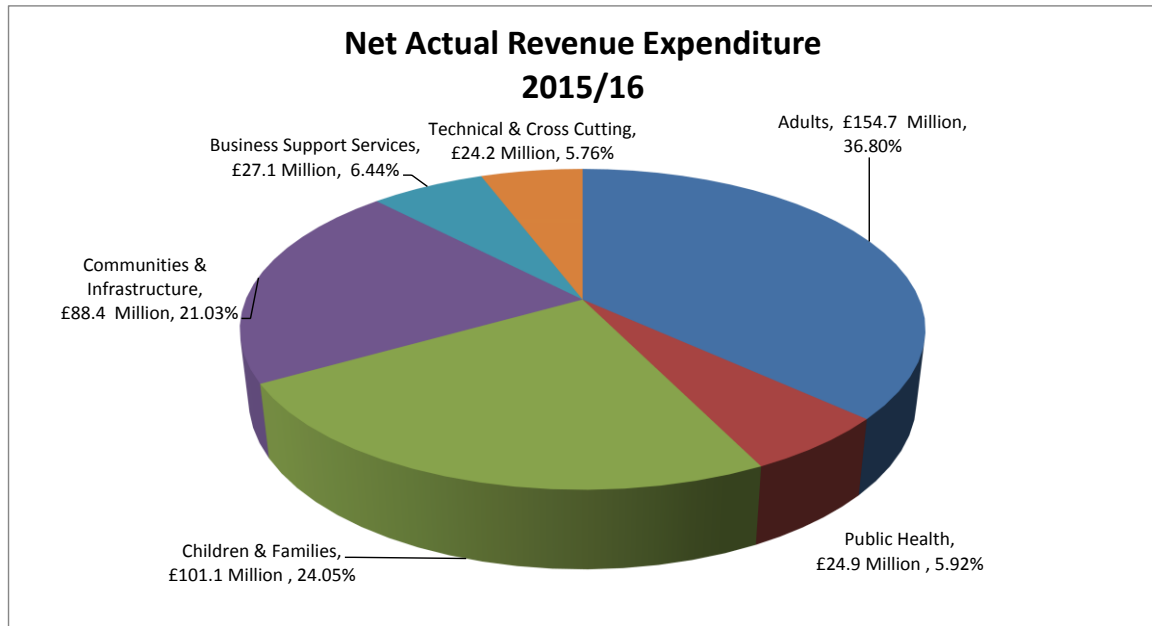
Full details and explanations of the outturn position can be found in the detailed outturn report submitted to Cabinet in June 2016, item 12, which is available on the Council's website at:

<http://glostext.gloucestershire.gov.uk/ieListDocuments.aspx?CId=117&MId=8218&Ver=4>

The Council agreed to implement a change in Minimum Revenue Provision Policy (MRP) in 2015/16, with the resultant impact of £4 million savings in 2015/16 and a base budget reduction being included within the 2016/17 revenue budget approved by Council.

Cabinet agreed that the £4 million savings would be allocated equally between the Adults and Children and Families budgets to mitigate the over-spends in these areas whilst reducing the draw down from the Adults and Vulnerable Children's earmarked reserves, and hence provide financial resilience in this area in 2016/17. The 2015/16 outturn positions reflect these allocations.

The outturn position for 2015/16 provides a clear indication of the Council's strong financial stewardship during the year, with net expenditure being contained within budget while delivering over £21.5 million of savings in 2015/16. Net actual expenditure by service area is shown in the chart below, which is followed by a chart showing the funding of this net expenditure.



Usable Revenue Reserves

Usable reserves are where money is set aside to fund future expenditure plans or reduce taxation. Full details of all usable reserve movements in 2015/16 are shown in note 2 on of the accounts, with the summary position outlined below:

Type of Revenue Reserves	Balance at 1st April 2015 £ Millions	Balance at 31st March 2016 £ Millions
Earmarked Revenue Reserves – Non Schools	94.773	106.866
Earmarked Reserves – Schools	28.091	31.112
General Fund Balances	19.848	19.848
TOTAL REVENUE RESERVES	142.712	157.826

Overall total usable revenue reserves increased by £15.11 million during the year.

Non-School Earmarked Reserves

Non schools earmarked usable revenue reserves have increased by £12.09 million (12.8%) during the year, from £94.77 million at the start of the year to £106.87 million at the end of the year.

Schools Earmarked Reserves

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

The main reasons for this increase were:

- An increase on School Balances of £3.6 million, largely due to higher revenue balances being held by schools within their delegated budgets and schools carrying forward unspent grants such as the pupil premium.
- A net decrease of £0.5 million in the other school related reserves due mainly to there being a £0.5 million deficit on the schools supply mutual scheme that will be recovered from schools in 2016/17.

General Reserves

General Reserves totalled £19.85 million at the end of 2015/16, 4.7% of the net revenue budget for 2015/16, 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.

Capital Reserves

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

Type of Capital Reserves	Balance at 1 st April 2015 £ Millions	Balance at 31 st March 2016 £ Millions
Capital Grants & Contributions Unapplied Reserves	51.823	44.151
Capital Receipts Unapplied Reserve	-	21.375
TOTAL CAPITAL RESERVES	51.823	65.526

The total capital reserves have increased by £13.7 million (26.4%) during the year, from £51.82 million at the start of the year to £65.53 million at the end of the year. The increase is mainly due to a balance at 31st March 2016 of £21.38 million of unapplied capital receipts, all generated during 2015/16 and fully committed to funding the Council's approved capital programme.

Full details and explanations of all reserve movements can be found in the detailed outturn report submitted to Cabinet in June 2016, item 12, which is available on the Council's website at:

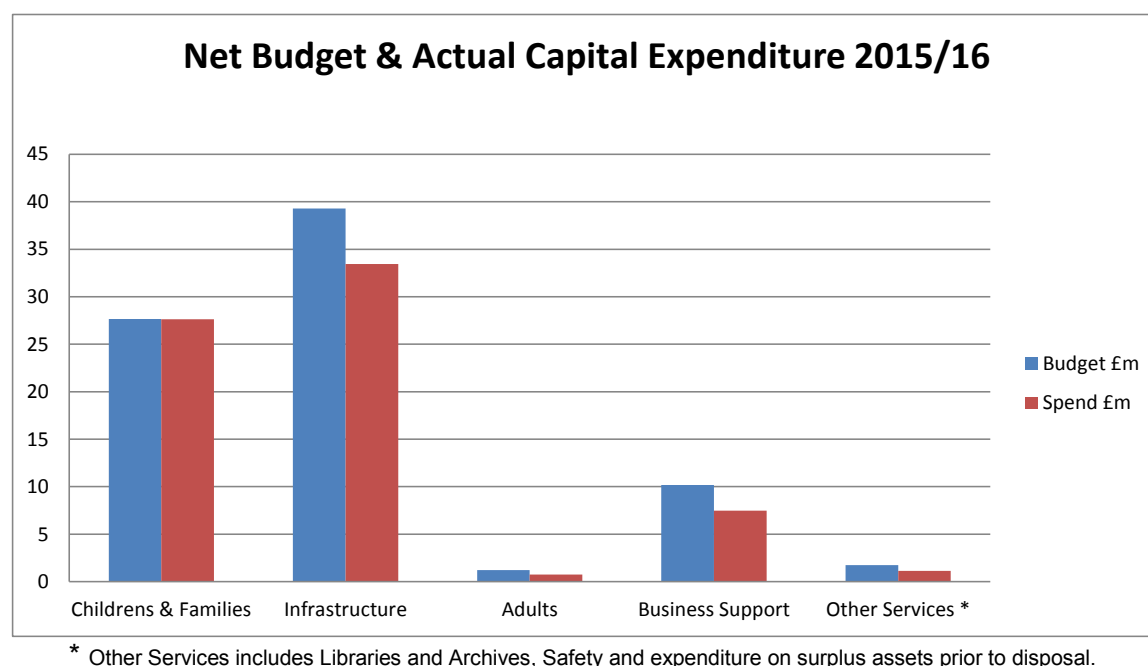
<http://glostext.gloucestershire.gov.uk/ieListDocuments.aspx?CId=117&MId=8218&Ver=4>

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, capital fund and revenue contributions to fund the capital programme for 2015/16, thereby avoiding the need for new borrowing.

The capital budget for 2015/16 totalled £77.40 million. Actual expenditure during the year was £67.77 million, giving an in-year under-spend compared with planned spend of £9.63 million. This is purely in-year slippage, which will mainly be spent in 2016/17 rather than in 2015/16. This has not changed the overall value of the capital programme, although it has necessitated a re-profiling of the approved budget between future years.

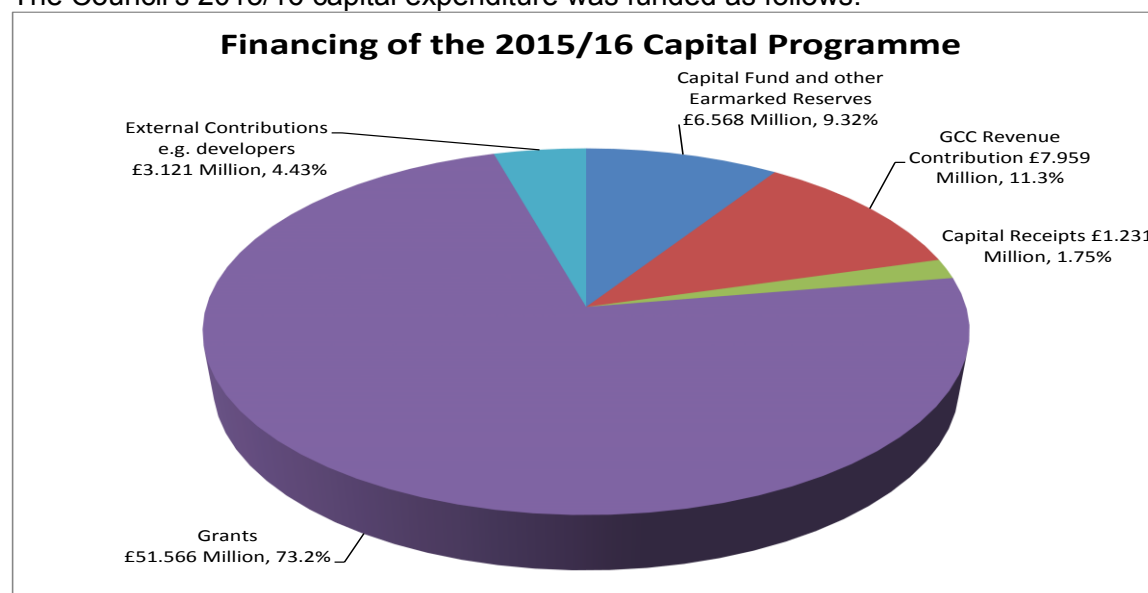
Net actual expenditure by service area is shown in the following chart:



Full details and explanations of the capital outturn position can be found in the detailed outturn report submitted to Cabinet in June 2016, item 12, which is available on the Council's website at:

<http://glostext.gloucestershire.gov.uk/ieListDocuments.aspx?CId=117&MId=8218&Ver=4>

The Council's 2015/16 capital expenditure was funded as follows:



The Government financial regulations require local authorities to charge a Minimum Revenue Provision (MRP) each year as a proxy for capital repayments. For 2015/16 the MRP for the Council was £8.74 million.

As part of the Treasury Management Strategy approved by Council within the 2016/17 MTFs in February 2016, a change in relation to the Minimum Revenue Provision Policy (MRP) was approved. This change still allows for a prudent MRP provision, has no adverse impact on the Council's debt maturity profile and avoids the potential for surplus MRP, following the successful redemption of all internal borrowing by the end of 2015/16.

Debt redemption remains a priority of the Council. At 31st March 2016 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £317.59 million, a reduction of £8.74 million compared with the position at the end of 2014/15.

Financial Statements

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

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

A complete set of Financial Statements for the period comprise:

- Statement of Accounting Policies on pages 22 to 37.
- Movement in Reserves Statement on page 44.
- Comprehensive Income & Expenditure Statement on page 46.
- Balance Sheet position on page 47 setting out the Council's financial position as at 31st March 2016.
- Cash Flow Statement on page 48 summarising the inflows and outflows of cash.
- Notes to the accounts, which summarise and provide further information on the financial activities of the Council on pages 49 to 101.
- Gloucestershire Pension Fund Accounts are on pages 102 to 133, 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 134.

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

Primary Financial Statements

The four primary financial statements are:

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

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

Movement in Reserves Statement - (page 44) shows the movement during the 2015/16 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 overall increase in the council's reserves during 2015/16 is £180.66 million, an increase of £28.82 million in useable reserves and an increase of £151.84 million in unusable reserves. The increase in unusable reserves is mainly due to the decrease of £123.97 million in long term liabilities for defined benefit pension schemes, explained in section 6 below, which is a liability that does not need to be met within the next year, but over the lifetime of scheme members.

Comprehensive Income & Expenditure Statement (CIES) - (page 46) 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 2015/16 was £24.8 million, which is shown in the movement in reserves statement, compared to a deficit of £19.0 million in 2014/15. The reason for this change is mainly due to a gain on the disposal of non current assets.

The £24.8 million surplus on the provision of services for 2015/16 represents the accounting surplus on the provision of services in accordance with International Financial Reporting Standards (IFRS).

Following transfers to reserves of the in year under-spend of £3.855 million, the outturn break-even budget position for 2015/16 indicates that there has been no movement on the general fund balance during the year, which may be more relevant for the Council's stakeholders than the Comprehensive Income & Expenditure Statement, which takes a wider financial perspective on the Council's performance. The outturn position only records those expenses which statute allows to be charged against the Council's annual budget. The amounts included in the CIES for items such as depreciation, impairments, capital grants and pension charges are not charged in the General Fund expenditure analysis. The movement in reserves statement, and supporting note 1, provides reconciliation between the two positions.

Balance Sheet - (page 47) shows the value of the assets and liabilities recognised by the council as at 31st March 2016. The balance sheet of the Council shows net assets of £381.7 million, which is matched by reserves (as set out in the movement in reserves statement). This represents an increase of £180.7 million from the 2014/15 position.

The increase in net assets is largely due to the reduction of £124.0 million in long term liabilities for defined benefit pension schemes, which is a liability that does not need to be met within the next year, but over the lifetime of scheme members.

Other significant movements on the balance sheet include an increase in investments held (including cash and cash equivalents, short and long term) of £33.9 million, and increase in the value of Property Plant & Equipment of £13.0 million, reflecting valuation changes.

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

- Operating activities - the amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation, grant income or from recipients of services provided by the Council.
- Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the future service delivery (note 15, page 67).

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council (note 16, page 67). During the year the cash and cash equivalent increased from £69.2 million at the beginning of the year to £110.2 million at the end of the year. This increase of £41.0 million in cash balances is largely due to more cash in call facilities and Money Market Funds at year end, providing same day access, as detailed in note 9, page 60. The increase in these types of investments reflects improvements in the yield, making them more attractive than tying money up short term.

Principal Risks and Uncertainties

Detailed information on our strategic risks is provided in the Strategic Performance Report 2015/16 presented to Cabinet on 8th June 2016. At the end of 2015/16, the following risks are rated as high:

- The risk that changes to future funding make it impossible to set a robust and deliverable budget without impacting significantly on Core Services. This risk has reduced as a result of having received the 2016/17 settlement and estimated tax base figures. However, there remains a risk in relation to the position for 2017/18 and beyond.
- The risk of failure to protect the Council's key information and data as a result of a malicious attack exploiting technological vulnerabilities. In light of the recent cyber attack on Lincolnshire County Council, we have reviewed our arrangements robustly. Whilst the precise circumstance of the Lincolnshire attack could not be replicated here, we need to remain vigilant to other attacks
- The risk of ICT technology failure impairing the Council's ability to communicate. The 'next generation desktop' roll out mitigates this risk, with further plans in place to complete the migration of email accounts.

- The risk of failure to protect Children and Young People from abuse or neglect that could have been prevented or predicted and the risk of failure to meet service standards for children's services resulting in poor inspection results, and in turn, reputational damage. We are focusing on strengthening the front door arrangements, and improving planning and interventions for children in need. However, continuing high demand for safeguarding services means that this risk remains high.
- The risk of failure to deliver the 'Prevent' strategy (for preventing violent extremism) impacting on residents, businesses or the media. Plans for the implementation of the strategy are progressing, with partners actively exploring the option to employ a prevent co-ordinator.
- The risk of failure to protect the confidentiality, integrity and availability of information. The Council continues to monitor incidents and breaches closely.

Pension Liabilities

The liability shown in connection with the defined benefit pension schemes is calculated in accordance with the requirements of International Accounting Standard (IAS) 19 and has reduced by 16.6%, from £747.4million at the start of the year to £623.4 million at the year end. This is due to the changed financial assumptions, primarily an increased yield on corporate bonds compared to the previous year. The yield on corporate bonds determines the discount rate which is used to calculate the estimated present value of these pension liabilities and the discount rate this year has increased by 0.3% (from 3.2% to 3.5%). The higher the discount rate used, the lower the estimated present value of pension liabilities. Further information can be found in note 32, page 89.

Investment Activity & Borrowing

During 2015/16 treasury management has been conducted according to the Policy Statement approved by the County Council in February 2015. In accordance with this strategy 222 investments were made during the year, at a value of £916 million. Total interest earned on in house deposits was £3.5 million.

As indicated earlier, the capital budget strategy avoids the need for new borrowing, with all capital expenditure being funded from capital grants, capital receipts and contributions. Debt redemption remains a priority of the Council. At 31st March 2016 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £317.6 million, a reduction of £8.7 million compared with the position at the end of 2014/15.

The Future

We are:

- continuing to discuss and develop our Devolution proposals with central Government
- working within the Council and with local schools to understand and prepare for the proposals set out in the Government's education white paper
- developing the five-year Sustainability and Transformation Plan for Gloucestershire with the Clinical Commissioning Group. The plan will show how we intend to make sure that local services are sustainable over the next 5 years.

Conclusion

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

Additional Information

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



Jo Walker
Strategic Finance Director & Section 151 Officer

Statement of Accounting Policies

Introduction

Accounting policies are the principles, bases, conventions, rules and practices applied by the Council. They specify how the financial effects of transactions and other events are reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. All of the accounting policies adopted, that are material in the context of the Council's 2015/16 financial statements, are described in the following Accounting Policies.

General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. The accounts have been prepared in accordance with the *Code of Practice on Local Council Accounting in the United Kingdom 2015/16* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) (referred to as "the Code" in the following notes) and the *Accounts and Audit Regulations 2011*. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. These accounts are prepared on a going concern basis.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Such sums due or payable at year-end are included as debtors and creditors and are estimated where the exact amount is not known. Exceptionally, in some cases actual payments are brought into account as they arise rather than being strictly apportioned between financial years e.g. electricity and gas charges. The effect on the income and expenditure account is not material. Non cheque book schools are accounted for on a cash basis.

Basis for Redemption of Debt

The Council has historic debt from financing a proportion of its capital investment through 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). The Council charge a fixed amount per annum following a review of the methodology, for the repayment of debt.

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within our control. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Contingent Liabilities

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

Events after the Balance Sheet Date

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

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 Schemes

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

Teachers Pension Scheme

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

NHS Pension Scheme

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

Exceptional Items

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

Financial Instruments

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

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

Financial Liabilities

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

Available for Sale Assets

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

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

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

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

Foreign Currency Translation

The Council does not generally deal in transactions 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.

Intangible Assets

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

Inventories and Work in Progress

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

Jointly Controlled Operations and Jointly Controlled Assets

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

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property Plant and Equipment (PPE) from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Finance Leases - The Council as Lessee

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the PPE – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Finance Leases - The Council as Lessor

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

Operating Leases - The Council as Lessee

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

Operating Leases - The Council as Lessor

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

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 2015/16 (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.

Property, Plant and Equipment (PPE)

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

Recognition

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

Measurement

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

Revaluation of all the County Council's PPE is undertaken using a three-year rolling programme, aiming to move to two years. 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.

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

Impairment

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

Where impairment losses are identified, they are accounted for in the following way:

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

Depreciation and Amortisation

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

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

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

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

Depreciation is calculated on the following basis:

- Assets which are bought from a third party are depreciated for a full year in the year of purchase. All other assets created as a result of capital expenditure during the year are depreciated for a full year where appropriate.
- Land is not depreciated.
- Heritage Assets are not depreciated.
- Community Assets are comprised totally of land (e.g. parks, picnic places) and are not depreciated.
- Assets under construction, being capital works in progress where the uncompleted asset does not have a material benefit to the County Council, are not depreciated.
- Where an item of PPE has major components whose cost is significant in relation to the total cost of the item (de-minimus of £1m per asset), the components are depreciated separately. The Council has identified 4 component groups that are used as a standard template to carry out valuations as shown below:
 - Land – No depreciation,
 - Host (Frame, floors, roof, windows, walls and doors), depreciate over 41 years, or the actual life of the asset,
 - Services (Internal water installations, sanitary ware, heating, ventilation, electrical, lifts, sprinklers and communications), depreciate over 22 years, unless the host asset's life is less than 41 years, then depreciate over 53.7% of the life of the host,
 - Externals (Drainage, roads, pavements, fences and external utility pipes), depreciate over 39 years, unless the host asset's life is less than 41 years, then depreciate over 95.2% of the life of the host.

- Revaluation gains are depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.
- Surplus Assets, held for disposal (10-99 years) are not depreciated.

Accounting for Schools

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

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

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

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

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

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

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

Academies and Free Schools

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

No revenue or capital amounts are therefore recognised in the Council's accounts for these entities.

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

Maintained Schools

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

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

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

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

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

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

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

Although there are cases where a maintained school's land and building assets are not legally owned by the Council, and the owning entity has the right to take them back (described by CIPFA as "mere licences"), we are unaware of any instances where this right has been exercised. There is therefore an expectation of continued use of both land and building assets for the provision of education through the school. In a number of cases the Council has also incurred capital costs on the school buildings and there is an expectation within education regulations that where this is the case a period of notice would need to be given if the owning entity wanted to take back the land or buildings.

Even in cases where the Council does not actually own the freehold of Voluntary Aided, Voluntary Controlled and Foundation schools through legal title itself, the Council retains a residual interest in the proceeds on disposal of land or buildings of any Voluntary Aided school, Voluntary Controlled school, and Foundation School under the provisions of Schedule 22 of the School Standards and Framework Act 1998.

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

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

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

The Council school numbers are shown below. Three maintained schools have converted to academies during 2015/16 resulting in a total net book value of £2.5 million removed from the Balance Sheet.

	Number of Schools
<u>Maintained Schools included in the Fixed Asset Register</u>	
Alternate Provision Schools	4
Community Mainstream Schools	94
Community Special Schools	9
Foundation Schools	22
Voluntary Aided Schools	41
Voluntary Controlled Schools	55
Total on Balance Sheet	225
<u>Academies and Free Schools not included in the Fixed Asset Register</u>	
Academies Sponsor Led	13
Academy Converters	60
Academy Special Schools Sponsor Led	3
Free Alternate Provision Schools	1
Free Schools	1
Total off Balance Sheet	78
Total Maintained Schools, Academies and Free Schools	303

Private Finance Initiative (PFI) scheme

PFI contracts are agreements to receive services, where responsibility for making available the PPE needed to provide the services passes to the PFI contractor. Where the Council is deemed to control the services in accordance with IFRIC 12 ownership of the PPE will pass to Council at the end of the contract. The Council carries the PPE used under the contracts on the Balance Sheet. The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

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

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

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer or economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. In these instances, services have been charged expenditure in anticipation of the liability having been met. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes less than probable that a transfer of economic benefits will now be required, or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

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

Reserves

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

Revenue Expenditure Funded from Capital under Statute

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

Service Concessions

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

VAT

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

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

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

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Improvements to IFRSs 2010 – 2012 Cycle, and 2014 – 2014 Cycle. These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts. The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

Critical Judgements in applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council recognises school land and buildings for Community Schools, Voluntary Controlled, Voluntary Aided and Foundation Schools on its Balance Sheet, where it is probable that the future economic benefits or service flow to the Council, and costs can be measured reliably. The Council has not recognised assets relating to

Academies, as it is of the opinion that these assets are not controlled by the Council. School assets are recognised as a disposal from the Council's Balance Sheet on the date on which a school converts to Academy status, not on the date of any related announcement, nor is any impairment recognised by the Council prior to conversion.

- Where the Council is the lead commissioner for service level agreements that include a contribution from the CCG, all figures are shown in gross terms (i.e. the contribution from the CCG is shown within Other Operating Income).
- The Better Care Fund (BCF) has been accounted for as an aligned pool in line with other Joint Commissioning Arrangements with the CCG.

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

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

- Useful life and valuations of properties, which are estimated by qualified valuers,
- Fair values of financial assets and liabilities, which are estimated by our treasury advisors, Arlingclose Ltd
- 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 2015/16 gives a true and fair view of the financial position and Income and Expenditure account of Gloucestershire County Council for the year ended 31st March 2016.



Jo Walker CPFA, Strategic Finance Director
16th September 2016

The Audit Committee on behalf of the County Council approved the Statement of Accounts on 16th September 2016.



Councillor Nigel Robbins, Chairperson
16th September 2016

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

We have audited the financial statements of Gloucestershire County Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Strategic Finance Director and auditor

As explained more fully in the Statement of the Strategic Finance Director's Responsibilities, the Strategic Finance Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which 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 Narrative Report, and the Annual Governance Statement 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:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and 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 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The

Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

Elizabeth Cave

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

19 September 2016

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

We have audited the pension fund financial statements of Gloucestershire County Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Strategic Finance Director and auditor

As explained more fully in the Statement of the Strategic Finance Director's Responsibilities, the Strategic Finance Director is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

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

Opinion on the pension fund financial statements

In our opinion the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities as at 31 March 2016 and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited pension fund financial statements.

Elizabeth Cave

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

Hartwell House, 55-61 Victoria Street, Bristol

19 September 2016

Movement in Reserves Statement

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

Movement in Reserves 2014/15	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31st March 2014 carried forward	-19,848	-110,437		-53,406	-183,691	-142,328	-326,019
<u>Movement in reserves during 2014/15</u>							
Surplus (-) or Deficit on Provision of Services	18,953	-	-	-	18,953	-	18,953
Other Comprehensive Expenditure and Income	-	-	-	-	-	106,068	106,068
Total Comprehensive Expenditure and Income	18,953	-	-	-	18,953	106,068	125,021
Adjustments between accounting basis & funding basis under regulations (Note 1)	-29,797	-	-	-	-29,797	29,797	-
Net Increase/Decrease before Transfers to Earmarked Reserves	-10,844	-	-	-	-10,844	135,865	125,021
Transfers to/from (-) Earmarked Reserves	10,844	-12,427	-	1,583	-	-	-
Increase/Decrease in 2014/15	-	-12,427	-	1,583	-10,844	135,865	125,021
Balance at 31st March 2015	-19,848	-122,864	-	-51,823	-194,535	-6,463	-200,998

Movement in Reserves 2015/16	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
Balance at 31st March 2015 carried forward	-19,848	-122,864	-	-51,823	-194,535	-6,463	-200,998
<u>Movement in reserves during 2015/16</u>							
Surplus (-) or Deficit on Provision of Services	-24,750	-	-	-	-24,750	-	-24,750
Other Comprehensive Expenditure and Income	-				-	-155,912	-155,912
Total Comprehensive Expenditure and Income	-24,750	-	-	-	-24,750	-155,912	-180,662
Adjustments between accounting basis & funding basis under regulations (Note 1)	9,636	-	-21,375	7,672	-4,067	4,067	-
Net Increase/Decrease before Transfers to Earmarked Reserves	-15,114	-	-21,375	7,672	-28,817	-151,845	-180,662
Transfers to/from (-)Earmarked Reserves	15,114	-15,114			-	-	-
Increase/Decrease in 2015/16	-	-15,114	-21,375	7,672	-28,817	-151,845	-180,662
Balance at 31st March 2016	-19,848	-137,978	-21,375	-44,151	-223,352	-158,308	-381,660

Comprehensive Income and Expenditure Statement

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

31 st March 2015			31st March 2016		
Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
Gross Expenditure, Gross Income and Net Expenditure of Continuing Operations					
3,601	-2,989	612	4,023	-1,798	2,225
9,342	-873	8,469	8,237	-811	7,426
33,990	-2,200	31,790	30,118	-2,262	27,856
1,799	-318	1,481	1,340	-230	1,110
392,292	-284,584	107,708	392,915	-297,163	95,752
62,561	-10,210	52,351	63,084	-10,593	52,491
513	-372	141	537	-353	184
247,400	-74,841	172,559	240,046	-77,706	162,340
30,268	-7,466	22,802	25,078	-4,376	20,702
20,336	-22,597	-2,261	24,142	-24,227	-85
13,358	-4,822	8,536	14,543	-4,349	10,194
10,757	-256	10,501	17,566	-142	17,424
826,217	-411,528	414,689	821,629	-424,010	397,619
Cost Of Services					
293	-	293	294	-	294
15,060	-	15,060	-	-11,332	-11,332
15,353	-	15,353	294	-11,332	-11,038
Other Operating Expenditure					
18,183	-	18,183	17,846	-	17,846
26,613	-	26,613	23,770	-	23,770
	-1,746	-1,746		-3,467	-3,467
44,796	-1,746	43,050	41,616	-3,467	38,149
Financing and Investment Income and Expenditure					
-	-43,193	-43,193	-	-47,500	-47,500
-	-231,078	-231,078	-	-236,027	-236,027
-	-65,399	-65,399	-	-69,449	-69,449
-	-85,983	-85,983	-	-67,456	-67,456
-	-26,017	-26,017	-	-25,780	-25,780
-	-2,469	-2,469	-	-3,268	-3,268
-	-454,139	-454,139	-	-449,480	-449,480
Taxation and Non-Specific Grant Income					
886,366	-867,413	18,953	863,539	-888,289	-24,750
Surplus (-) or Deficit on Provision of Services					
110,720	-107,350	3,370	7,328	-20,923	-13,595
-	-1,670	-1,670	-	-659	-659
104,368	-	104,368	-	-141,658	-141,658
215,088	-109,020	106,068	7,328	-163,240	-155,912
Other Comprehensive Income and Expenditure					
1,101,454	-976,433	125,021	870,867	-1,051,529	-180,662
Total Comprehensive Income and Expenditure					

Balance Sheet

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

Restated As at 1st April 2014 £'000	Restated As at 1st April 2015 £'000		Notes	As at 31 st March 2016 £'000
1,134,869	1,084,105	Property Plant and Equipment	3,39	1,097,134
894	894	Heritage Assets	3	894
3,562	4,889	Assets under Construction	3	4,711
255	368	Intangible Assets	4	541
5,000	40,317	Long Term Investments	5	87,324
2,344	2,371	Long Term Debtors	5	11,278
1,146,924	1,132,944	Long Term Assets		1,201,882
139,362	142,183	Short Term Investments	5	88,179
768	368	Assets held for Sale	10	2,556
1,639	1,388	Inventories	6	1,465
50,178	52,132	Short Term Debtors	8	50,772
52,844	69,248	Cash and Cash Equivalents	9 & 17	110,159
244,791	265,319	Current Assets		253,131
-49,866	-63,241	Short Term Borrowing	5	-49,698
-58,418	-66,522	Short Term Creditors & Revenue Receipts in Advance	12	-71,951
-5,055	-4,140	Short Term Provisions	11	-3,423
-18,098	-20,854	Capital Grants and Contributions Receipts in Advance	24	-37,018
-10,916	-10,401	Provision for Accumulated Absences	13	-8,645
-142,353	-165,158	Current Liabilities		-170,735
-2,618	-2,568	Deferred Liability	37	-2,529
-4,619	-3,559	Long Term Provisions	11	-3,510
-284,005	-278,627	Long Term Borrowing	5	-273,194
-632,101	-747,353	Liability Related to Defined Benefit Pension Scheme	32	-623,385
-923,343	-1,032,107	Long Term Liabilities		-902,618
326,019	200,998	Net Assets		381,660
		Usable Reserves		
53,406	51,823	Capital Grants & Contributions Unapplied Reserve	2	44,151
-	-	Useable Capital Receipts Reserve	2	21,375
19,848	19,848	General Fund Balance	2	19,848
110,437	122,864	Earmarked Reserves	2	137,978
183,691	194,535			223,352
		Unusable Reserves		
-10,916	-10,401	Short Term Accumulated Absences Account	13	-8,645
660,843	645,797	Capital Adjustment Account	13	662,115
127,047	117,549	Revaluation Reserve	13	125,179
2,326	1,618	Collection Fund Adjustment Account	13 & 38	2,979
-	2,300	Deferred Capital Receipts Reserve	13	2,300
-298	1,372	Available for Sale Revaluation Reserve	13	2,031
-4,573	-4,419	Financial Instrument Adjustment Account	13	-4,266
-632,101	-747,353	Defined Pension Fund Reserve	32	-623,385
142,328	6,463			158,308
326,019	200,998	Total Reserves		381,660

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.

2014/15		2015/16
£'000		£'000
18,953	Net Surplus (-) or Deficit on the Provision of Services	-24,750
-107,825	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements (note 14)	-78,408
53,171	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities (note 14)	69,953
-35,701	Net Cash Flows from Operating Activities	-33,205
28,224	Investing Activities (Note 15)	-27,719
-8,927	Financing Activities (Note 16)	20,014
-16,404	Net Increase or Decrease in Cash and Cash Equivalents	-40,910
-52,844	Cash and Cash Equivalents at the beginning of the reporting period	-69,248
-69,248	Cash and Cash Equivalents at the end of the reporting period (Note 9)	-110,158

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1. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2014/15

	Usable Reserves			
	Restated General Fund Balance	Capital Receipts Reserve	Restated Capital Grants Un- applied Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Depreciation and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets	-72,059			72,059
Capital grants and contributions applied	45,226			-45,226
Movement in the Donated Assets Account				-
Revenue expenditure funded from capital under statute	-9,486			9,486
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-23,158			23,158
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Voluntary Provision for financing of Capital Investment	13,825			-13,825
Statutory Provision for the financing of Capital Investment	13,605			-13,605
Capital expenditure charged against the General Fund Balance	5,076			-5,076
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,098	-8,098		
Use of the Capital Receipts Reserve to finance new capital expenditure		8,098		-8,098
Adjustments primarily involving the Capital Grants Unapplied Reserve				
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement			-43,643	43,643
Application of grants and contributions to capital financing transferred to capital adjustment account			45,226	-45,226
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	153			-153
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-10,884			10,884
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic Rates income calculated for the year in accordance with statutory requirements	-708			708
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	515			-515
Total Adjustments	-29,797	-	1,583	28,214

2015/16	Usable Reserves		Capital Grants Un-applied Reserve	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve		
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Depreciation and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets	-49,211			49,211
Revenue expenditure funded from capital under statute	-7,858			7,858
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-11,274			11,274
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Voluntary Provision for financing of Capital Investment				
Statutory Provision for the financing of Capital Investment	8,737			-8,737
Capital expenditure charged against the General Fund Balance	13,556			-13,556
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	22,606	-22,606		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,231		-1,231
Adjustments primarily involving the Capital Grants Unapplied Reserve:				
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement	47,500		-47,500	
Application of grants and contributions to capital financing transferred to capital adjustment account			55,172	-55,172
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	153			-153
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-17,690			17,690
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic Rates income calculated for the year in accordance with statutory requirements	1,361			-1,361
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,756			-1,756
Total Adjustments	9,636	-21,375	7,672	4,067

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 2015/16.

Earmarked Revenue Reserves	Balance at 31st March 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31st March 2016 £'000
Strategic Waste Reserve	15,577	-	18,335	33,912
Fire Joint Training Centre	1,169	-13	-	1,156
Fire PFI Reserve- GRFS	2,489	-	268	2,757
Insurance Fund	10,283	-6,636	7,176	10,823
Capital Fund	22,849	-23,301	10,130	9,678
Transformation Reserve	6,912	-235	279	6,956
County Elections	414	-	200	614
Vehicle & Plant Replacement	110	-	-	110
Fire Service Pensions	127	-	-	127
Active Communities	1,230	-	-	1,230
Invest to Save	4,517	-1,841	499	3,175
Education Funding Risk Reserve	500	-	-	500
Adoption Reserve	762	-367	-	395
Economic Stimulus Reserve	10,296	-1,826	-	8,470
Public Health	4,513	-	83	4,596
Vulnerable Children Reserve	2,585	-931	916	2,570
Adult Care Reserve	654	-	1,000	1,654
Home to School Transport Reserve	400	-	272	672
A417 Missing Link Reserve	309	-45	1,000	1,264
Rates Retention Reserve	1,660	-	175	1,835
Revenue Grant Reserves	6,981	-5,095	9,865	11,751
Communities & Infrastructure Reserve	-	-	1,476	1,476
Traded Services Reserve	-	-	67	67
LED Renewables Reserve	-	-	223	223
Services to Families with Young Children Reserve	-	-	300	300
Other Reserves	436	-9	128	555
Total Non School Earmarked Reserves	94,773	-40,299	52,392	106,866
Schools Related				
School Balances	20,220	-20,220	23,824	23,824
Other Schools Related	7,871	-7,871	7,288	7,288
Total School Related	28,091	-28,091	31,112	31,112
Total Earmarked Revenue Reserves	122,864	-68,390	83,504	137,978
General Fund Balances	19,848	-	-	19,848
Total Revenue Reserves	142,712	-68,390	83,504	157,826
Earmarked Capital Reserves	Balance at 31st March 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31st March 2016 £'000
Capital Grant Reserves	51,823	-104,496	96,824	44,151
Capital Receipts Unapplied Reserves	-	-1,231	22,606	21,375
Total Capital Reserves	51,823	-105,727	119,430	65,526

Reserve Description

Strategic Waste Reserve - The contribution made to the EFW project in 2015/16 was £8.927 million. It has been shown as a debit in the prepayment balance sheet, as opposed to a drawdown on the reserve, following technical accounting advice received. This reflects the fact that the contribution is amortised in the accounts over the life of the contract. An additional £0.335 million contribution was made from the revenue budget of the Residual waste to cover future liabilities and this has resulted in a closing balance of £33.912 million, which is fully committed to the contract.

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

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

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

Capital Fund - This reserve is used for capital financing and is fully committed to fund schemes approved under the Council's Capital Programme. The balance remaining on this reserve is more than expected in the MTFs and reflects slippage on the capital programme and unspent approved revenue contributions that will be needed to fund future capital expenditure.

Transformational Reserve - Budget support was provided in 2015/16 totalling £0.235 million. In addition transfers into the reserve totalled £0.279 million which related to Organisational Structure Savings.

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

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

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

Active Communities - This reserve has been established to meet the Council's strategy to provide support for people to do more for themselves, their families and communities without the Council having to intervene. It was funded from transferring monies from the Supporting People Reserve. (£1.23 million in March 2015)

Invest to Save - This reserve is fully committed as follows:- to support Salix loan grants initiative for energy saving projects (£0.15 million); Contribution towards the provision of Photovoltaic PV panels for Shire Hall (£0.90 million); ICT improvements (£0.7 million); Transformational Support (£1.43 million). Transfers out during 2015-16 including a contribution to capital programme funding next generation desktop rationalisation scheme (£1.30 million) and Salix loans (£0.54 million) offset by transfers from Salix loan repayments received in year (£0.5 million).

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

Adoption Reserve - This reserve was established to fund a package of measures relating to adoptions over a number of years. Monies drawn down during 2015-16 have been used to fund these measures.

Economic Stimulus Reserve - Fully committed as follows: Rural Broadband (£7.80 million); Apprentices (£0.33 million); Grow Gloucestershire (£0.34 million). Transfers out during 2015-16 included: contribution towards broadband project (£1.6 million); Apprenticeships (£0.14 million); Community Grants (£0.02 million); Grow Gloucestershire (£0.06 million)

Public Health - Ring fenced funding stream, and this reserve was established in accordance with grant conditions to hold any unspent balances from the annual grant received from Government.

Vulnerable Children - The reserve includes £1.922 million of funding to offset demand-led pressures in children's services 2016/17 and £0.648 million of unused funding for one-off projects (mental health, archives, safeguarding training, reunification) which will be used for these approved projects.

Adult Care Reserve - The current balance of £1.654 million provides funding to mitigate demand risk in Adult Social Care, given the continuing concern about the volatility in demand and the pressure across the health and social care economy.

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

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

Rates Retention - This reserve was established to cover the Council against a potential funding shortfall in business rate income. The scheme is still in its infancy and the full impact remains uncertain. The situation will continue to be monitored closely. Part of the reserve is ring fenced for economic development projects across the County and part is a ring fenced contingency for smoothing any future pool losses as per the pool guidance arrangements.

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

Communities & Infrastructure - A new reserve has been established to carry forward specific budget under spends and invest a further £1 million into Highways.

Traded Services - A new reserve has been established to invest in Traded Services to mitigate against any loss in traded income.

LED Renewables - A new reserve established to provide budget support for the LED renewables project.

Sevices to Families with Young Children - A new reserve established to provide specific budget support.

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

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

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

3. Non-current Assets

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Heritage Assets	Total Property, Plant and Equipment	PFI Assets included in PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross book value at 31st March 2015	801,097	25,900	596,224	-	12,133	4,889	894	1,441,137	27,048
Additions	26,731	7,594	28,148	-	-	3,991	-	66,464	7
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases recognised in Revaluation Reserve	17,970	-	-	-	2,953	-	-	20,923	-
Revaluation Reserve adjustment refund to I & E	829	-	-	-	42	-	-	871	-
Revaluation decrease recognised in Revaluation Reserve	(6,903)	-	-	-	(425)	-	-	(7,328)	-
Revaluation Reserve adjustment charge to I & E	(6,572)	-	-	-	(1,978)	-	-	(8,550)	-
Derecognition – Disposals	(9,928)	(7,173)	(17,457)	-	(1,189)	-	-	(35,747)	-
Assets reclassified from Held for Sale	1,907	-	-	-	-	-	-	1,907	-
Assets reclassified to Held for Sale	(4,094)	-	-	-	-	-	-	(4,094)	-
Assets Under Construction completed schemes	-	-	-	-	-	(4,169)	-	(4,169)	-
Surplus reclassification	1,443	-	-	-	(1,443)	-	-	-	-
Gross book value at 31st March 2016	822,480	26,321	606,915	-	10,093	4,711	894	1,471,414	27,055
Accumulated Depreciation and Impairment as at 31st March 2015	(100,871)	(14,273)	(234,958)		(1,147)	-	-	(351,249)	(3,475)
Depreciation charge	(14,170)	(5,185)	(22,483)	-	(63)	-	-	(41,901)	(977)
Surplus reclassification	(234)	-	-	-	234	-	-	-	-
Derecognition – disposals	(35)	6,995	17,457	-	57	-	-	24,474	-
At 31st March 2016	(115,310)	(12,463)	(239,984)	-	(919)	-	-	(368,676)	(4,452)
Net book value at 31st March 2016	707,170	13,858	366,931	-	9,174	4,711	894	1,102,738	22,603

Non Current Asset Valuations

• Land and Property

The Code requires all land and property to be formally revalued at least every five years. This year the District covered was Cheltenham and in addition to all surplus assets being revalued, we also revalued all Rural Estate assets.

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

Fair Value- Surplus Assets

Non-operational land and property is included on the basis of IFRS 13 Fair Value except assets under construction which are included on the basis of capital expenditure incurred by 31st March 2016. The valuations have been undertaken by qualified valuers, consistent with the current accounting policy. All the Council's surplus assets have been assessed as Level 3 for valuation purposes using the following fair value hierarchy:-

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

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

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

• Vehicles, Plant, Furniture and Equipment

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

• Infrastructure Assets

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

• Donated Assets

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

4. Intangible Assets

These are purchased software licences and are amortised over an estimated life of up to 20 years.

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

	2014/15		2015/16	
	Internally Generated Assets £'000	Other Assets £'000	Internally Generated Assets £'000	Other Assets £'000
Balance at start of year:				
Gross carrying amounts	-	255	-	368
Amortisation for the period	-	-128	-	-124
Other changes	-	241	-	297
Net carrying amount at end of year	-	368	-	541

5. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000
Financial Assets				
Loans and receivables	30,317	64,000	174,242	178,744
Available-for-sale financial assets	10,000	23,324	35,378	10,461
Other cash			1,811	9,132
Total Investments	40,317	87,324	211,431	198,337
Debtors	2,371	11,278	52,132	50,772
Total Debtors	2,371	11,278	52,132	50,772
Financial Liabilities				
	Long Term		Current	
	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000
Borrowings at amortised cost	257,662	252,799	62,726	49,151
Total Borrowings	257,662	252,799	62,726	49,151
Lease Liabilities				
PFI liabilities at amortised cost	20,965	20,395	515	547
Total other long term liabilities	20,965	20,395	515	547
Total Borrowing and Long Term Liabilities	278,627	273,194	63,241	49,698
Creditors	0	0	66,522	71,951
Total Creditors	-	-	66,522	71,951

Expense, Income, Gains and Losses

	2014/15				2015/16			
	Financial	Financial	Financial	Total	Financial	Financial	Financial	Total
	Liabilities at amortised cost	Assets: Loans and Receivables	Assets: Available for Sale		Liabilities at amortised cost	Assets: Loans and Receivables	Assets: Available for Sale	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	18,183	-	-	18,183	17,846	-	-	17,846
Total expense in Surplus or Deficit on the Provision of Services	18,183	-	-	18,183	17,846	-	-	17,846
Interest income		-1,551	-195	-1,746		-2,563	-904	-3,467
Gains on derecognition		-	-	-				
Total income in Surplus or Deficit on the Provision of Services		-1,551	-195	-1,746	-	-2,563	-904	-3,467
Gain (-)/Loss on revaluation			-1,670	-1,670			-659	-659
Surplus or deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-1,670	-1,670	-	-	-659	-659
Net loss/gain(-) for the year	18,183	-1,551	-1,865	14,767	17,846	-2,563	-1,563	13,720

Fair Values of Assets and Liabilities

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

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

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

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

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

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

	Fair Value Level	31st March 2015 Carrying Amount shown on Balance £'000	Fair Value £'000	31st March 2016 Carrying Amount shown on Balance £'000	Fair Value £'000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	265,340	346,903	260,363	331,948
Long-term Lender Option borrower option (LOBO) loans	2	41,548	67,260	41,586	67,501
Finance Leases and PFI Liabilities	2	21,479	36,417	20,943	33,284
Total Financial Liabilities		328,367	457,370	322,892	437,879

Recorded on the balance sheet as:-

Short-term borrowing	49,762	49,698
long-term borrowing	278,605	273,194
Total Financial Liabilities	328,367	322,892

	Fair Value Level	31st March 2015 Carrying Amount shown on Balance Sheet at Fair Value £'000	31st March 2016 Carrying Amount shown on Balance Sheet at Fair Value £'000
Financial assets held at fair value:			
Money market funds;notice and call accounts	1	67,490	101,138
Bonds,equities and Property funds	1	11,473	30,686
Total Financial Assets held at Fair Value		78,963	131,824

		31st March 2015 Amount shown on Balance Sheet £'000	Fair Value £'000	31st March 2016 Carrying Amount shown on Balance £'000	Fair Value £'000
Financial assets held at amortised cost:					
Long-term bank deposits	2	131,910	132,042	73,257	72,910
Long-term loans to local authorities	2	39,064	39,412	71,448	68,522
Total Financial Assets held at Amortised Cost		170,974	171,454	144,705	141,432
Total Financial Assets		249,937	250,417	276,529	273,256

Recorded on the balance sheet as:-

Long-term investments	40,317	87,324
Short-term investments	142,183	88,179
Cash and cash equivalents	67,437	101,026
Total Financial Assets	249,937	276,529

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.

6. Inventories

	2014/15 £'000	2015/16 £'000
Maintenance Materials		
Balance outstanding at start of the year	1,639	1,388
Purchases	4,629	4,912
Stock used within the year	-4,880	-4,835
Balance outstanding at year-end	1,388	1,465

7. Contractual Capital Commitments

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

There is a contractual commitment of £4.3m for Carlton Primary expansion and £3.8m for a new infant school at Northway

A contract for the replacement of existing street lights with new and more energy efficient LED equipment has been let. This contract has a value of £13.5 million over a period of 4 years.

8. Debtors

	2014/15 £'000	2015/16 £'000
Central Government Bodies	10,252	12,341
Other Local Authorities	3,888	3,356
NHS Bodies	4,807	8,452
Public Corporations and Trading Funds	6,399	253
Other Entities and Individuals	26,786	26,370
Total	52,132	50,772

9. Cash and Cash Equivalents

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

	2014/15 £'000	2015/16 £'000
Cash held by the Council, including schools	1,811	9,132
Cash held in call/money market accounts with same day access	7,437	30,280
Cash Equivalents - investments maturing within 3 months	60,000	70,747
Total Cash and Cash Equivalents	69,248	110,159

10. Assets Held for Sale

	2014/15 £'000	2015/16 £'000
Balance outstanding at start of year	768	368
Assets newly classified as held for sale:		
Property, Plant and Equipment	368	4,094
Assets sold	-768	-1,906
Balance outstanding at year-end	368	2,556

11. Provisions

	Short Term Liabilities	Long Term Liabilities	Balance at 1 st April 2015	Applications	Additions	Amounts Written off in Year	Balance at 31 st March 2016	Short Term Liabilities	Long Term Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000
Insurance Fund	-4,140	-2,778	-6,918	2,459	-2,060	-	-6,519	-3,423	-3,096
Adults:									
Community Equipment Liabilities	-	-200	-200	-	-	-	-200	-	-200
Communities & Infrastructure:									
Glos South West Bypass Land Claims	-	-95	-95	-	-	-	-95	-	-95
Contracts	-	-340	-340	340	-	-	-	-	-
Children & Families:									
Pension Strain Costs	-	-29	-29	-	-	-	-29	-	-29
General:									
Pension Strain & Redundancy costs	-	-7	-7	-	-	-	-7	-	-7
Retained Fire Fighters Liabilities	-	-15	-15	5	-	-	-10	-	-10
LAMS Scheme Liabilities	-	-95	-95	-	-	22	-73	-	-73
Total	-4,140	-3,559	-7,699	2,804	-2,060	22	-6,933	-3,423	-3,510
Employee Accrual - IAS19 accumulated absences	-10,401	-	-10,401	-	-	1,756	-8,645	-8,645	-
Total	-10,401	-	-10,401	-	-	1,756	-8,645	-8,645	-

Insurance Fund

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

Employee Accrual - IAS19 accumulated absences

Local Authorities are required to account for benefits payable during employment in accordance with IAS19. The provision held within the Accumulated Absences Account relates to estimated costs associated with short term benefits such as leave, flexible working hours and additional TOIL, which have been accumulated at the end of 2015/16 but will not be settled until 2016/17.

12. Creditors & Revenue Receipts in Advance

	2014/15 £'000	2014/15 £'000
Central Government Bodies	11,798	13,807
Other Local Authorities	5,513	5,065
NHS Bodies	6,175	8,608
Public Corporations and Trading Funds	51	54
Other Entities and Individuals	42,985	44,417
Total	66,522	71,951

13. Unusable Reserves

Revaluation Reserve

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

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

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

	Restated 2014/15 £'000	2015/16 £'000
Balance at 1st April	127,047	117,549
Upward revaluation of assets	107,350	20,923
Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	-110,720	-7,328
Accumulated gains on assets sold or scrapped	-6,128	-5,965
Revaluation of newly recognised school assets		
Revaluation Adjustments		
Balance at 31st March	117,549	125,179

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.

	2014/15 £'000	2015/16 £'000
Balance at 1st April	-298	1,372
Change in year end valuation	1,670	659
Balance at 31st March	1,372	2,031

Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

	Restated 2014/15 £'000	2015/16 £'000
Balance at 1st April	660,843	645,797
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	-71,932	-49,087
Amortisation of intangible assets	-128	-124
Revaluation losses on Property, Plant and Equipment		
Revenue expenditure funded from capital under statute	-9,486	-7,858
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	-23,158	-11,274
Adjusting amounts written out of the Revaluation Reserve	6,128	5,965
Capital financing applied in the year:		
Write off of deferred charges		
Use of the Capital Receipts Reserve to finance new capital expenditure	8,098	1,231
RCCO applied to capital financing	5,076	13,556
Voluntary Provision for financing of Capital Investment	13,825	-
Statutory Provision for the financing of Capital Investment	13,605	8,737
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	45,226	55,172
Donated Assets	-	-
Adjustment to Deferred Capital Receipts	-2,300	-
Balance at 31st March	645,797	662,115

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.

	2014/15 £'000	2015/16 £'000
Balance at 1st April	-632,101	-747,353
Remeasurement of net defined benefit liability	-104,368	141,658
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	-10,884	-17,690
Balance at 31st March	-747,353	-623,385

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.

	2014/15 £'000	2015/16 £'000
Balance at 1st April	2,326	1,618
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.	-708	1,361
Balance at 31st March	1,618	2,979

Accumulated Absences Account

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

	2014/15 £'000	2015/16 £'000
Balance at 1st April	-10,916	-10,401
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.	515	1,756
Balance at 31st March	-10,401	-8,645

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.

	2014/15 £'000	2015/16 £'000
Balance at 1st April	-4,573	-4,419
Adjustments with the General Fund relating to the total of deferred premiums/discounts:		
Net write down	154	153
Balance at 31st March	-4,419	-4,266

Deferred Capital Receipts Reserve

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

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

	2014/15 £'000	2015/16 £'000
Balance at 1st April	-	2,300
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,300	-
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
Balance at 31st March	2,300	2,300

14. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

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

	2014/15 £'000	2015/16 £'000
Depreciation & Impairment	-71,932	-49,087
Amortisation	-128	-124
Increase/Decrease in Creditors	-5,998	-5,651
Increase/Decrease in Debtors	2,036	4,574
Increase/Decrease in Inventories	-251	77
Movement in Pension Liability	-10,884	-17,690
Contributions to/(from) Provisions	2,490	766
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-23,158	-11,273
Total	-107,825	-78,408

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

	2014/15 £'000	2015/16 £'000
Capital Grants credited to surplus or deficit on the provision of services	45,226	47,500
Premiums or discounts on the repayment of financial liabilities	-153	-153
Proceeds from the sale of property plant and equipment, investment	8,098	22,606
Net cash flows from operating activities	53,171	69,953

The cash flows for operating activities include the following items:

	2014/15 £'000	2015/16 £'000
Interest received	-1,746	-3,144
Interest paid	18,183	17,770
Total	16,437	14,626

15. Cash Flow Statement – Investing Activities

	2014/15 £'000	2015/16 £'000
Purchase of property, plant and equipment, investment property and intangible assets	48,525	66,766
Purchase of short-term and long-term investments	945,115	863,039
Proceeds from the sale of property, plant and equipment, investment	-8,098	-22,606
Proceeds from short-term and long-term investments	-907,091	-887,415
Other receipts from investing activities	-50,227	-47,503
Net cash flows from investing activities	28,224	-27,719

16. Cash Flow Statement – Financing Activities

	2014/15 £'000	2015/16 £'000
Cash receipts of short and long term borrowing	-61,847	-15,000
Other receipts from financing activities	-708	-
Repayments of short-term and long-term borrowing	53,115	34,437
Cash payments for the reduction of the outstanding liabilities relating	513	577
Net cash flows from financing activities	-8,927	20,014

17. Movement in Net Debt

	2014/15 £'000	2015/16 £'000	Movements in year £'000
Movement In Cash Balances:			
Imprest Accounts	138	130	-8
Cash At Bank	9,110	39,282	30,172
Cash Equivalents investments	60,000	70,747	10,747
Net Cash	69,248	110,159	40,911
Financing & Liquid Resources	199,882	234,895	35,013
Net Debt	269,130	345,054	75,924

18. Amounts Reported for Resource Allocation Decisions**Service Information for the year ended 31st March 2015**

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

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

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

Reconciliation to Subjective Analysis

2014/15

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

Service Information for the year ended 31st March 2016

	Children & Families	Adults	Public Health	Communities & Infrastructure	Support Services	Technical & Corporate	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	-15,256	-72,409	-780	-13,558	-9,191	-3,590	-114,784
Government Grants	-279,322	-4,880	-23,447	-7,060	-165	-1,855	-316,729
Total Income	-294,578	-77,289	-24,227	-20,618	-9,356	-5,445	-431,513
Employee Expenses	215,902	27,211	1,293	25,809	28,781	12,616	311,612
Other Operating Expenses	169,862	194,995	22,671	76,878	13,651	37,344	515,401
Support Service Recharges	9,916	9,738	263	6,287	-29,960	3,756	-
Total Operating Expenses	395,680	231,944	24,227	108,974	12,472	53,716	827,013
Net Cost of Services	101,102	154,655	-	88,356	3,116	48,271	395,500
Council Approved Budget	101,102	151,507	-	88,356	3,698	50,837	395,500
Declared Outturn Position - Surplus	-	3,148	-	-	-582	-2,566	-

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

	£'000
Cost of Services in Service Analysis	395,500
Add Technical Accounting Adjustments	14,977
Removal of amounts reported to management but not included in the Comprehensive Income and Expenditure Statement.	-12,858
Net Cost of Services in Comprehensive Income and Expenditure Statement	397,619

Reconciliation to Subjective Analysis

2015/16

	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	-114,784	-	-114,784	-	-114,784
Interest and Investment income	-	3,467	3,467	-3,467	-
Income from Council Tax	-	-	-	-236,027	-236,027
Government Grants and Contributions	-316,729	2,222	-312,693	-162,685	-475,378
Capital Grants and Contributions	-	-	-	-47,500	-47,500
Fire Pensions Top Up Grant	-	-	-	-3,268	-3,268
Gain on Disposal of fixed Assets	-	-	-	-11,332	-11,332
Total Income	-431,513	2,222	-424,010	-464,279	-888,289
Employee Expenses	311,612	-5,075	306,537	-	306,537
Other Service Expenses	515,401	-47,097	468,304	23,771	492,075
Support Service Recharges	-	-	-	-	-
Depreciation, Amortisation and Impairment	-	57,069	57,069	-	57,069
Revenue expenditure funded from capital under statute	-	7,858	7,858	-	7,858
Interest Payments	-	-17,845	-17,845	17,845	-
Precepts & Levies	-	-294	-294	294	-
Loss on Disposal of fixed Assets	-	-	-	-	-
Impairment of Investments	-	-	-	-	-
Total Operating Expenses	827,013	12,755	821,629	41,910	863,539
Surplus or Deficit on the Provision of Services	395,500	14,977	397,619	-422,369	-24,750

19. Pooled Budgets & Partnership Working

The Council is involved with five partnerships between Adult Social Care and health agencies under Section 75 of the NHS Act 2006. This allows health bodies and health-related council services to work together more effectively in the provision of services designed to meet the needs of users without concern for the boundaries of their organisations. Details of the schemes

Provision of mental health services with Gloucestershire Clinical Commissioning Group (integrated budget)

A partnership agreement with Gloucestershire Clinical Commissioning Group is in place to jointly commission mental health services. In 2015/16 the Council's share of the gross expenditure of the partnership was £6.0m (£6.2m in 2014/15), gross income was nil (£0.09m in 2014/15) and the Council's contribution was £6.0m (£6.1m in 2014/15).

Provision of social care occupational therapy (Integrated Budget)

A partnership agreement with Gloucestershire Clinical Commissioning Group to commission occupational therapy services. In 2015/16 the gross expenditure of the partnership was £3.9m (£3.9m in 2014/15), gross income was £0.0m (£0.0m in 2014/15) and the Council's contribution was £3.0m (£3.0m in 2014/15).

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

In 2015/16 the gross expenditure of the partnership was £7.1m (£6.3m in 2014/15), gross income was £1.0m (£1.1m in 2014/15) and the Council's contribution was £2.4m (£1.6m in 2014/15)

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 2015/16 the gross expenditure of the partnership was £3.1m (£3.1m in 2014/15), gross income was nil (nil in 2014/15) and the Council's contribution was £2.0m (£2.0m in 2014/15).

Fastshire

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

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

Herefordshire Council acts as the lead authority for this project, and the Council provides additional revenue funding for the programme management and project team support. To date £9.674 million of expenditure relating to Gloucestershire has been incurred of which £8.070 million has been funded from government grant, and £1.604 million funded from the Council's £7.5 million contribution, which remains a part of the Council's Economic Stimulus Reserve.

Gloucestershire Joint Waste Partnership

On 1st April 2013, the Council entered into an Inter-Authority Agreement with Cheltenham Borough Council, Cotswold District Council and Forest of Dean District Council to form the Gloucestershire Joint Waste Partnership for the purpose of joint waste management in the county. Tewkesbury Borough Council joined the partnership on 15th December 2014. This partnership reports to the Gloucestershire Joint Waste Committee, hosted by the Council, with equal representation from member authorities. The Council acts as the accountable body for the partnership. The gross expenditure in 2015/16 of the partnership was £524,000, with the council's contribution to this being £237,000.

The Better Care Fund

The Better Care Fund (BCF) came into operation on 1 April 2015 for the 2015/16 financial year. To administer the fund, Clinical Commissioning Groups (CCGs) were required to establish joint arrangements with local authorities to operate a pooled budget for the joint delivery of more integrated health and social care.

In 2015/16 the total funding covered within the BCF was £39.9m, of which £14.2m was allocated to the Council as Lead Commissioner, The CCG was allocated £21.6m as Lead Commissioner. A further £4.1m was held within the Fund and was jointly commissioned by the Council and the CCG.

20. Officer's Remuneration

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

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

The senior employees who received remuneration in excess of £50,000 for 2014/15 and 2015/16 are as follows:

2014/15

	Salary, Fees and Allowances £	Compensation for loss of Office £	Other Taxable Benefits £	Employer's Pension Contributions £	Total £
Chief Executive: Mr P Bungard	161,235	-	-	16,768	178,003
Chief Operating Officer	133,562	-	-	20,836	154,398
Chief Fire Officer & Operations Director	120,243	-	-	25,591	145,834
Director: Strategic Finance	120,146	-	-	18,743	138,889
Commissioning Director: Adults	120,146	-	-	18,793	138,939
Commissioning Director: Children & Families	120,146	-	-	18,743	138,889
Director: Strategy & Challenge & Monitoring Officer	96,360	-	-	15,236	111,596
Commissioning Director: Communities & Infrastructure	96,360	-	-	15,115	111,475
Director: People Services	96,360	-	-	15,032	111,392
Operations Director: Education, Learning & Libraries	96,360	-	-	15,032	111,392
Operations Director: Childrens Safeguarding & Care	93,438	-	-	14,590	108,028
Deputy Chief Executive ⁽¹⁾	80,137	-	-	-	80,137
Operations Lead: Adult Social Care & Business Development	77,871	-	-	12,148	90,019
	1,412,364	0	0	206,627	1,618,991

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

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

(3) The Chief Operating Officer was seconded to NHS Gloucester Clinical Commissioning Group (CCG) during 2015/16. Salary costs for 2014/15 were therefore funded by NHS Gloucestershire CCG.

2015/16

	Salary, Fees and Allowances £	Compensation for loss of Office £	Other Taxable Benefits £	Employer's Pension Contributions £	Total £
Chief Executive Mr P Bungard (1)	142,424	-	-	196,281	338,705
Chief Operating Officer (2)	135,099	113,985	-	20,836	269,920
Director: Strategic Finance	120,146	-	-	18,743	138,889
Commissioning Director: Adults	120,146	-	-	18,743	138,889
Commissioning Director: Children & Families	120,146	-	-	18,793	138,939
Chief Fire Officer & Operations Director	120,146	-	-	26,072	146,218
Operations Director: Education, Learning & Libraries	101,487	-	-	15,832	117,319
Director: Strategy & Challenge & Monitoring Officer	97,799	-	-	15,257	113,056
Commissioning Director: Communities & Infrastructure	97,799	-	-	15,257	113,056
Operations Director: Childrens Safeguarding & Care	97,799	-	-	15,257	113,056
Director: People Services (3)	97,799	85,340		121,221	304,360
Director of Public Health (4)	90,855	-	-	12,992	103,847
Operations Lead: Adult Social Care & Business Development	90,499	-	-	14,118	104,617
Commissioning Director (5)	42,352	-	208	6,353	48,913
Deputy Chief Executive (6)	13,356	36,117	-	-	49,473
	1,487,852	235,442	208	515,755	2,239,257

- (1) The Chief Executive works 29.6 hours per week, effective 1 September 2015. The whole time equivalent salary for 2015/16 is £162,847. The Chief Executive's pension contribution figure includes pension strain costs (a payment to Gloucestershire Pension Fund) of £175,445 as a result of flexible retirement.
- (2) The Chief Operating Officer was seconded to NHS Gloucester Clinical Commissioning Group (CCG) during 2015/16. Salary costs for 2015/16 were therefore funded by NHS Gloucestershire CCG.
- (3) The post of Director of People Services was made redundant on 31 March 2016.
- (4) The post of Director of Public Health was filled on an interim basis from 1 April 2015 to 12 October 2015, on which date a permanent appointment was made. The whole time salary for the permanent appointee in 2015/16 is £91,541.
- (5) The Commissioning Director is an employee of Gloucester City Council and Gloucestershire County Council is liable for half of the costs associated with this role. The figure disclosed above therefore represents the Gloucestershire County Council share of the costs associated with this role
- (6) The Deputy Chief Executive was made redundant on 31st May 2015. The whole time equivalent salary for 2015/16 is £133,562.

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

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

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

The table reflects the total remuneration, including compensation for loss of office (redundancy), received by employees as at 31st March 2016, not just an employee's gross salary.

Remuneration band	Total Number of Employees			
	2014/15		2015/16	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	54	48	59	43
£55,000 - £59,999	28	17	37	23
£60,000 - £64,999	22	16	21	5
£65,000 - £69,999	8	6	6	16
£70,000 - £74,999	1	5	2	4
£75,000 - £79,999	5	3	6	2
£80,000 - £84,999	2	2	1	-
£85,000 - £89,999	-	4	1	2
£90,000 - £94,999	-	1	-	3
£95,000 - £99,999	-	6	-	5
£100,000 - £104,999	-	1	-	1
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	-	4	-	4
£125,000 - £129,999	-	-	-	-
£130,000 - £134,999	-	1	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	1
£145,000 - £149,999	-	-	-	-
£150,000 - £154,999	-	-	-	-
£155,000 - £159,999	-	-	-	-
£160,000 - £164,999	-	1	-	-
£165,000 - £169,999	-	-	-	-
£170,000 - £174,999	-	-	-	-
£175,000 - £179,999	-	-	-	-
£180,000 - £184,999	-	-	-	1
£185,000 - £189,999	-	-	-	-
£190,000 - £194,999	-	-	-	-
£195,000 - £199,999	-	-	-	-
£200,000 - £204,999	-	-	-	-
£205,000 - £209,999	-	-	-	-
£210,000 - £214,999	-	-	-	-
£215,000 - £219,999	-	-	-	-
£220,000 - £224,999	-	-	-	-
£225,000 - £229,999	-	-	-	-
£230,000 - £234,999	-	-	-	-
£235,000 - £239,999	-	-	-	-
£240,000 - £244,999	-	-	-	-
£245,000 - £249,999	-	-	-	1
Total	120	115	133	111

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:

2014/15

Exit package cost band (including special payments)	Number of compulsory	Number of other departures agreed	Total number of exit packages by cost	Total cost of exit packages in each £
£0 - £20,000	13	5	18	229,611
£20,001 - £40,000	5	5	10	375,684
£40,001 - £60,000	3	3	6	284,134
£60,001 - £80,000	1	-	1	74,365
£80,001 - £100,000	1	-	1	80,437
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	-	-	-
Accruals/Provision				173,599
Total	23	13	36	1,217,830

2015/16

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £
£0 - £20,000	16	29	45	338,606
£20,001 - £40,000	2	8	10	307,195
£40,001 - £60,000	3	6	9	411,742
£60,001 - £80,000	1	1	2	125,304
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	1	1	175,445
Accruals/Provision				549,247
Total	22	45	67	1,907,539

The total cost of £1,907,539 in the table above includes £549,247 for exit packages that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

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

21. Members' Allowances

The Council is required to report the total allowances paid during the year to 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 and can be found through the following link:-

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

	2014/15	2015/16
	£'000	£'000
Basic Allowances	475	482
Special Responsibility Allowances	261	269
Travel & Subsistence Allowances	32	31
Total	768	782

22. External Audit Costs

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

	2014/15	2015/16
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	131	98
Fees payable for the certification of grant claims and returns for the year	3	4
Fees payable in respect of other services provided during the year	-	14
Total	134	116

23. Deployment of Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education via the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations. 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 2015/16 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2015/16 before academy recoupment			407,927
Academy figure recouped for 2015/16			-164,718
Total DSG after academy recoupment for 2015/16			243,209
Plus: Brought forward from 2014/15			7,723
Less: Carry forward to 2015/16 agreed in advance			-
Agreed initial budgeted distribution in 2015/16	74,496	176,436	250,932
In Year Adjustments	315	-	315
Final budget distribution for 2015/16	74,811	176,436	251,247
Less: Actual central expenditure	67,271		67,271
Less: Actual ISB deployed to schools	-	176,436	176,436
Plus: Local Authority contribution for 2015/16	-	-	-
Carry Forward to 2016/17	7,540	-	7,540

24. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

Credited to Taxation and Non Specific Grant Income

	2014/15 £'000	2015/16 £'000
Revenue Support Grant	-85,983	-67,456
National Non Domestic Rates Grant	-65,399	-69,449
Non Service Related Grants	-26,017	-25,780
Fire Pensions Top Up Grant	-2,469	-3,268
Total	-179,868	-165,953

Revenue Grants Credited to Services

	2014/15 £'000	2015/16 £'000
Department for Work & Pensions - Workstep Grant	-1	-
Department for Children's Schools & Families Grants	-20,450	-22,539
Department for Education Grants	-236,618	-243,525
Department of Health Grants	-22,701	-24,134
Community & Local Government Grants	-4,717	-8,936
Youth Justice Board Grant	-724	-598
Young Peoples Learning Agency Grants	-2,102	-2,084
Other Grants	-8,617	-9,088
Skills Funding Agency	-4,017	-2,607
Total	-299,947	-313,511

	2014/15 £'000	2015/16 £'000
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Account	-43,193	-47,500

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

	2014/15 £'000	2015/16 £'000
Department for Transport Grants	-89	-6,658
Non Government Contributions for Capital purposes	-6,434	-9,346
Highways Section 106 Contributions	-11,490	-11,568
Accountable body	-2,841	-9,446
Total	-20,854	-37,018

25. Related Parties

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

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from Government departments are set out in the subjective analysis in Note 18 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2016 are shown in Note 24.

In accordance with specific grant conditions, the Council confirms that it received a Big Lottery Fund and ESF Building Better Opportunities Grant totalling £49,850 in 2015-16. Total expenditure incurred against this grant totalled £10,675. The balance of £39,175 is included within the revenue grants receipts in advance section on the balance sheet. It is anticipated that these funds will be fully expended during 2016-17.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 21. Details of all member interests are recorded in the Register of Members' Interest, open to public inspection at Shire Hall during office hours or on the Council website.

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

The Gloucestershire Local Government Pension Scheme is a related party of Gloucestershire County Council due to the Council being the administering body of the scheme and by virtue of the Pension Committee including 6 Council Members out of the 8 Committee members. The Committee is supported by Council staff who may be subject to influence from Council Members. From the 2010/11 financial year the Pension Fund's "in-house" surplus cash balances have been held in the Pensions Fund's own bank account and in an instant access call account. The Council administers the Pension Fund's named accounts within its Treasury Management department. A total average balance of £6.8m (£4.4m in 2014/15) was held in the Pension Fund accounts for 2015/16 gaining interest of £0.032m. (£0.020m in 2014/15). The Council charged £1.55m (£1.41m in 2014/15) for administering the Pension Fund.

There is a contractual arrangement between the Council and the Brandon Trust for the provision of Learning Disabilities Services. In 2015/16 payments of £6.9m (£7.4m in 2014/15) were made to the Brandon Trust, with a further £0.2m collected as client contributions (£0.3m in 2014/15).

It should be noted that 2015/16 was the final financial year for this specific contractual arrangement, with the contract ending on 31st March 2016.

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 this position is vacant.

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 2015/16 payments of £16.1m (£16.8m in 2014/15) were made to the Order of St John Care Trust in relation to this contract. £1.3m was outstanding at the year end (2014/15 £1.3m).

On 1st April 2013, the Council entered into an Inter-Authority Agreement with Cheltenham Borough Council, Cotswold District Council and Forest of Dean District Council to form the Gloucestershire Joint Waste Partnership for the purpose of joint waste management in the county. Tewkesbury Borough Council joined the partnership on 15th December 2014. This partnership reports to the Gloucestershire Joint Waste Committee, hosted by the Council, with equal representation from member authorities. The Council acts as the accountable body for the partnership. The gross expenditure in 2015/16 of the partnership was £524,000 (£492,000 in 2014/15), with the council's contribution to this being £237,000 (£237,000 in 2014/15).

26. Capital Expenditure and Capital Financing

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

	2014/15 £'000	2015/16 £'000
Opening Capital Financing Requirement	353,760	326,330
Property, Plant and Equipment	49,034	62,101
Revenue Expenditure Funded from Capital under Statute	9,486	7,858
Total to Finance	58,520	69,959
Sources of finance		
Capital Receipts	-8,098	-1,231
Capital Fund & other Earmarked Reserves	-572	-6,568
Government Grants and other Contributions	-44,775	-55,172
Direct Revenue Contributions	-5,075	-6,988
	-58,520	-69,959
MRP	-13,605	-8,737
Capital Receipts applied against debt	-	-
VRP	-13,825	-
Total revenue provision	-27,430	-8,737
Closing Capital Financing Requirement	326,330	317,593
Explanation of movements in year		
Increase/decrease (-) in underlying need to borrowing	-27,430	-8,737
Assets acquired under PFI/PPP contracts	-	-
Increase/Decrease (-) in Capital Financing Requirement	-27,430	-8,737

Capital Expenditure 2015/16

	£'000	%
Adults	746	1.1
Children & Families	27,641	39.2
Communities & Infrastructure		
Infrastructure	30,765	43.7
Business Support Property	1,628	2.3
Business Support ICT	5,850	8.3
Libraries & Archives	291	0.4
Safety	662	0.9
Capital Receipts Expenditure	180	0.3
Rural Broadband Joint Working	2,682	3.8
	70,445	100

27. Leases

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

Council as Lessee**Finance Leases**

Other than those schemes undertaken through the Private Finance Initiative as reported in Note 28, there were no further finance leases identified by the Council during 2015/16.

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
2014/15			
Property	725	2,186	2,085
Vehicles	380	706	1
	1,105	2,892	2,086
2015/16			
Property	340	652	619
Vehicles	291	441	-
	631	1,093	619

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:

	2014/15 £'000	2015/16 £'000
Property	734	359
Vehicles	469	411
	1,203	770

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

The Council has looked at all leases (including those that terminated at 31st March 2016) where it is the lessor (landlord), to establish the correct classification under IFRS.

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

Operating Leases

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

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

	Expiry date of lease		
	Within 1 year	After 1 year but less than 5 years	After more than 5 years
	£'000	£'000	£'000
2014/15			
Property	1,885	6,988	7,365
Total	1,885	6,988	7,365
2015/16			
Property	2,096	6,553	8,725
Total	2,096	6,553	8,725

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

	2014/15	2015/16
	£'000	£'000
Property	1,945	2,275
	1,945	2,275

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

28. Private Finance Initiatives and Similar Contracts**Fire Service Joint Training Centre PFI Scheme**

2015/16 was the thirteenth year of a twenty-five year PFI contract for the design, build, financing and operation of a Joint Training facility in Avonmouth. The scheme is a joint PFI venture with Avon Fire Authority and Devon & Somerset Fire Authority whereby a significant proportion of the training required by the three services is provided at this facility.

Property, Plant and Equipment

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

Payments

The Council makes an agreed payment each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Payments remaining to be made under the PFI contract at 31st March 2016 (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
2014/15					
£'000					
670	Paid in 2015/16	412	141	134	687
	Outstanding undischarged contract obligations:				
687	Payable within one year	422	153	128	703
2,921	Payable within two to five years	1,796	754	443	2,994
4,077	Payable within six to ten years	2,507	1,328	344	4,178
2,697	Payable within eleven to fifteen years *	1,092	681	47	1,820
10,382	Total	5,817	2,916	962	9,695

* There are twelve 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:

	2014/15 £'000	2015/16 £'000
Balance outstanding at start of year	1,532	1,510
Payments during the year	-22	-66
Balance outstanding at year-end	1,510	1,444

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

	2014/15 £'000	2015/16 £'000
Opening Net Book Value	1,514	1,096
Depreciation	-91	-94
Additions	46	5
Revaluations	-373	0
Balance	1,096	1,007

Fire Service Stations PFI Scheme

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

Property, Plant and Equipment

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

Payments

The Council makes an agreed payment each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Payments remaining to be made under the PFI contract at 31st March 2016 (including an estimation of inflation and excluding estimations of availability/performance deductions) are as follows:

		Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
		£'000	£'000	£'000	£'000
2014/15					
£'000					
3,290	Paid in 2015/16	944	656	1,772	3,372
	Outstanding undischarged contract obligations:				
3,372	Payable within one year	968	758	1,730	3,456
14,352	Payable within two to five years	4,119	4,129	6,463	14,711
20,053	Payable within six to ten years	5,755	7,932	6,868	20,555
22,689	Payable within eleven to fifteen years	6,512	11,492	5,252	23,256
25,670	Payable within sixteen to twenty years	7,367	15,864	3,080	26,312
12,640	Payable within twenty-one to twenty-five years	1,992	4,852	271	7,115
98,776	Total	26,713	45,027	23,664	95,405

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:

	2014/15 £'000	2015/16 £'000
Balance outstanding at start of year	20,411	19,970
Payments during the year	-441	-471
Balance outstanding at year-end	19,970	19,499

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

	2014/15 £'000	2015/16 £'000
Opening Net Book Value	21,397	22,479
Depreciation	-1,010	-1,010
Additions	2	12
Revaluation	2,090	0
Closing Balance	22,479	21,481

Arrangements that contain a lease

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

Service Concessions

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

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

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

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

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

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

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

29. Impairment Losses - Capital

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

30. Termination Benefits

The Council terminated the contracts of a number of employees in 2015/16, incurring liabilities of £1.9m (£1.2m in 2014/15). Note 20 provides details of the number of exit packages and total cost per band.

31. Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

In 2015/16, the Council paid £13.8m to the Teachers' Pensions Agency (TPA) in respect of teachers' retirement benefits, representing five months at 14.1%, and seven months at 16.48% of pensionable pay. The figures for 2014/15 were £12.4m and 14.1%. There were no contributions remaining payable at year-end.

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

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 2015/16, the Council paid £101k (£105k in 2014/15) to the NHS in respect of public health retirement benefits, representing 14.3% (14.0% in 2014/15) of pensionable pay.

32. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in several post employment schemes:

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

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

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

Transactions Relating to Post-employment Benefits

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

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Cost of Services:				
Service Cost Comprising:				
Current service cost	27,101	35,847	5,100	5,100
Past service costs	235	153	-	-
Losses / Gains (-) on settlements	-6,293	-475	-	-
Financing and Investment Income and Expenditure				
Net interest on the defined pension liability	18,513	16,670	8,100	7,100
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	39,556	52,195	13,200	12,200

Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount charged in the net interest expense)	-78,324	-26,660	-	
Actuarial gains and losses arising on changes in demographic assumptions	-	-		600
Actuarial gains and losses arising on changes in financial assumptions	166,039	117,777	26,600	20,800
Other experience	-9,847	20,541	-100	8,600
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	77,868	111,658	26,500	30,000

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-1,984	-11,090	-9,100	-6,600
	-1,984	-11,090	-9,100	-6,600

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

Employers' contributions payable for unfunded teachers scheme & LGPS benefits (discretionary)	33,017	36,526	4,100	5,500
Employers' contributions payable to scheme for unfunded LGPS benefits (Discretionary)	4,555	4,579	-	-
Total employers contributions	37,572	41,105	4,100	5,500

Firefighters pension and lump sum benefit payments 7,100

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Present value of the defined benefit obligation	1,387,230	1,291,947	223,700	200,300
Fair value of plan assets	-863,577	-868,862	-	-
Other movements in the liability (asset)	-	-	-	-
Net liability arising from defined benefit obligation	523,653	423,085	223,700	200,300

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

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Opening fair value of scheme assets	759,907	863,577	-	-
Interest Income	32,329	27,702	-	-
Remeasurement Gain / Loss (-):				
The return on plan assets, excluding the amount included in the net interest expense	78,324	-26,660	-	-
	-		-	-
The effect of changes in foreign exchange rates				
Contributions from employer	37,572	41,105	4,300	5,600
Contributions from employees into the scheme	7,132	7,483	1,200	1,500
Benefits paid	-39,860	-39,631	-5,500	-7,100
Benefits paid for unfunded LGPS benefits (Discretionary)	-4,555	-4,579	-	-
Assets distributed on settlement			-	-
	-7,272	-135		
Closing fair value of scheme assets	863,577	868,862	0	0

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Firefighters' Pension Scheme	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Opening balance at 1 st April	-1,203,708	-1,387,230	-188,300	-223,700
Current service cost	-27,101	-35,847	-5,100	-5,100
Interest cost	-50,842	-44,372	-8,100	-7,100
Contributions from scheme participants	-7,132	-7,483	-1,200	-1,500
Remeasurement Losses / Gains (-):				
Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	600
Actuarial gains/losses arising from changes in financial assumptions	-166,039	117,777	-26,600	20,800
Other experience	9,847	20,541	100	8,600
Past service costs (Including curtailments)	-235	-153	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	39,860	39,631	5,500	7,100
Benefits paid for unfunded teachers scheme & LGPS benefits (Discretionary)	4,555	4,579	-	-
Liabilities extinguished on settlements, where relevant	13,565	610	-	-
Closing balance at 31st March	-1,387,230	-1,291,947	-223,700	-200,300

Local Government Pension Scheme assets comprised:

	2014/15			2015/16		
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	TOTAL £'000	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	TOTAL £'000
Cash and cash equivalents	13,062	-	13,062	9,533	-	9,533
Equity Instruments:						
By Industry Type (a)						
Consumer	46,342	-	46,342	53,475	-	53,475
Manufacturing	20,603	-	20,603	26,190	-	26,190
Energy and utilities	21,903	-	21,903	15,753	-	15,753
Financial institutions	40,997	-	40,997	41,992	-	41,992
Health and care	8,213	-	8,213	6,821	-	6,821
Information Technology	-	-	-	4,706	-	4,706
Other	20,703	-	20,703	18,028	-	18,028
Sub-total equity (a)	158,761	-	158,761	166,965	-	166,965
Bonds by Sector:						
Corporate (investment grade)	43,842	-	43,842	44,793	-	44,793
Corporate (non-investment grade)	3,303	-	3,303	3,374	-	3,374
UK Government	81,291	-	81,291	79,394	-	79,394
Other	14,143	-	14,143	11,961	-	11,961
Sub-total bonds	142,579	-	142,579	139,522	-	139,522
Real Estate:						
UK Property	42,828	14,824	57,652	47,391	17,071	64,462
Overseas Property	-	4,442	4,442	-	4,453	4,453
Sub-total real estate	42,828	19,266	62,094	47,391	21,524	68,915
Private equity:						
All	-	2,577	2,577	-	2,551	2,551
Investment Funds and Unit Trusts:						
Equities	28,516	376,791	405,307	29,019	371,502	400,521
Bonds	37,438	2,292	39,730	38,023	2,231	40,254
Other	-	39,520	39,520	-	40,680	40,680
Sub-total investments funds and Unit Trusts	65,954	418,603	484,557	67,042	414,413	481,455
Derivatives:						
Forward foreign exchange contracts	-	-	-	-	-	-
Other	-53	-	-53	-78	-	-78
Sub-total derivatives	-53	-	-53	-78	-	-78
TOTAL ASSETS	423,131	440,446	863,577	430,375	438,488	868,863
Fair Value of Scheme						
	2014/15			2015/16		
	£'000			£'000		
Equity Instruments by Company size:-						
FTSE 100				113,451		110,815
FTSE 250				40,341		53,128
Pooled UK Smaller Companies				4,969		3,022
Sub-total equity instruments				158,761		166,965

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Firefighters' Pension Schemes liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1st April 2013. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded liabilities: Firefighters' Pension Schemes	
	2014/15	2015/16	2014/15	2015/16
Mortality assumptions:				
Longevity (yrs) at 65 (60 for Fire) for current pensioners:				
Men	22.5	22.5	29.4	29.7
Women	24.6	24.6	31.6	31.6
Longevity (yrs) at 65 (60 for Fire) for future pensioners:				
(Figures assume members aged 45 as at 31.03.13 for the LGPS and as at 31.03.14 for Fire)				
Men	24.4	24.4	31.0	31.2
Women	27.0	27.0	33.1	33.2
Rate of Inflation	3.3%		3.3%	3.2%
Rate of increase in salaries	3.8%	3.7%	3.4%	3.2%
Rate of increase in pensions **	2.4%	2.2%	2.4%	2.2%
Rate for discounting scheme liabilities #	3.2%	3.5%	3.2%	3.5%

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

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

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 2016	Approximate Increase	Approximate monetary amount
	%	£'000
Local Government Pension Scheme - Increase to Employer Liability		
0.5% decrease in Real Discount Rate	10%	123,774
1 year increase in member life expectancy	3%	38,758
0.5% increase in the Salary Increase Rate	2%	31,190
0.5% increase in the Pension Increase Rate (CPI)	7%	91,217
Fire Fighters Pension Scheme - Increase to Employer Liability		
0.1% decrease in Real Discount Rate	9%	17,500
1 year increase in member life expectancy	3%	5,900
0.5% increase in the Salary Increase Rate	1%	1,800
0.5% increase in the Pension Increase Rate (CPI)	8%	15,600
Fire Fighters Pension Scheme - Increase to Projected Current Service Cost		
0.1% decrease in real Discount Rate	9%	410
1 year increase in member life expectancy	2%	90
0.5% increase in the Salary Increase Rate	0%	20
0.5% increase in the Pension Increase Rate (CPI)	8%	390

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as a constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be commenced on 31 March 2016. The Public Service Pensions Act 2013 provided for scheme regulations to be made within a common framework to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants in relation to service after 31st March 2014 for the Local Government Pension Scheme or service after 31st March 2015 for other main existing public service pension schemes in England and Wales.

The Council anticipates to pay £36.3m expected contributions to the LGPS scheme and £1.6m for the Fire scheme

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

		Duration	Duration
		2014/15	2015/16
LGPS	Duration as at previous formal valuation - 31.03.13	17.6	17.6
Fire	Duration effective as at previous formal valuation - 31.03.12	18.9	18.9
Fire - Injury	Duration effective as at previous formal valuation - 31.03.12	21.8	21.8

33. Contingent Liabilities

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

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

As part of the EFW service concession a contingent liability is likely to arise in 2019 for GCC to enter in to a 25 year contract with UBB for them to operate an energy from waste (EfW) facility on behalf of the Council located at Javelin Park. The liability will be triggered when UBB hand over the plant to GCC which has met the specifications within the contract.

The actual fee paid per tonne will depend on the actual tonnage processed in each of the 25 years and will be offset by third party income and electricity generation. The contract is expected to be in the region of £500m over the 25 year period.

34. Nature and extent of risks arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2016 that this was likely to crystallise.

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

	Amount at 31st March 2016	Historical experience of default	Historical experience adjusted for market conditions at 31st March 2016	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with Banks & Financial Institutions	273,543	-	-	-
Customers	14,998	-	-	2,257
	288,541	-	-	2,257

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

The Council's debtors, including any payments in advance made by the Council totalled £57.486m as at 31st March 2016, represent a customer base with the potential for risk exposure to non-recovery of the debt. However a large proportion of the total debt relates to Government bodies and other debts which are not considered to be a risk. Therefore, in practice, the calculation of the risk exposure (bad debt provision) is confined to debtor invoices raised that are then subjected to recovery procedures. At 31st March 2016 these debts totalled £14.999m.

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

	2014/15 £'000	2015/16 £'000
Less than a month	4,539	7,580
One to three months	2,057	2,245
Three to six months	1,026	1,774
More than six months	2,924	3,399
	10,546	14,998

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:

	2014/15 £'000	2015/16 £'000
Less than one year	62,725	49,150
Between one and two years	4,863	8,336
Between two and five years	24,062	23,690
Between five and ten years	44,509	36,545
Between ten and twenty years	44,000	44,000
Between twenty and thirty years	47,849	47,849
Between thirty and forty years	77,379	77,379
Between forty and fifty years	15,000	15,000
Finance Lease Liability	21,481	20,943
	341,868	322,892

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

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

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

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

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

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

According to this assessment strategy, at 31st March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000		
Increase in interest payable on variable rate borrowings	-	-	-
Increase in interest receivable on variable rate investments	-	-	-710
Impact on Surplus or Deficit on the Provision of Services	-	-	-710

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

Price Risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £15m. This investment is subject to fair value adjustments at year end, but any fall in commercial property prices would have no impact on the General Fund until the investment was sold.

Foreign Exchange Risk

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

35. Trust Funds

At 31st March 2016 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 2015	Income	Expenditure	Balance at 31 st March 2016
	£	£	£	£
Libraries				
2 trusts providing books for libraries	2,798	171	-183	2,786
Gloucestershire Heritage Trust Ltd				
Preserves and renovates specific buildings and areas which are of historic interest	6,915	49	-	6,964
Gloucestershire War Relief				
The awarding of grants relating to service in the Great War	411	-	-	411
Total	10,124	220	-183	10,161

In addition to the above Trust Funds, the Council is holding £32,890 in cash relating to Criminal Injury awards. This is also included in the creditors balance on the Balance Sheet.

36. Insurance

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

Property Risks (Fire / lightening / explosion / earthquake / riot / civil commotion / storm / floods and escape of water damage) to all Council Properties £100,000 excess and own accident damage to 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 known outstanding claims, with the remaining balance being held as a reserve to meet the cost of potential future claims.

37. Deferred Liabilities

The amount of £2.529m represents the shares of the PFI Joint Fire Training Centre project equalisation fund attributable to Avon Fire Authority and Devon & Somerset Fire Authority.

38. Collection Fund Adjustment Account

Within Gloucestershire precept collection of council tax and non-domestic rates for the Council is managed by the District Councils.

Regulations require the Council to account for precept collection on an accruals basis. The Council is therefore required to include its share of any collection balances within the formal Statement of Accounts.

The following statement outlines the balances held as at 31st March 2016:

	Arrears after impairment allowance for doubtful/bad debt (Debtors)	Overpayments and prepayments (Creditors)	Collection Fund Surplus (-) /Deficit	Cash (shown as Debtor or Creditor)
	£'000	£'000	£'000	£'000
Council Tax Collection	7,403	-3,746	-5,661	2,004
Non-Domestic Rates Collection	338	-2,143	2,682	-877
Total	7,741	-5,889	-2,979	1,127

39. Prior Period Restatements

Following a review and reconciliation of the Asset Register it was found that the balances on the Revaluation Reserve and the Capital Adjustment Account in the 2013/14 and 2014/15 accounts were mis-stated by £29.65 million. As a result a prior period adjustment has been undertaken, whereby the Revaluation Reserve and Capital Adjustment Account have been restated. This realignment, within Unusable Reserves, has no impact on either the cash position or the net worth of the Council over this period

Revaluation Reserve

	2013/14 £'000	2014/15 £'000
Balance Previously Reported	97,397	87,899
Revaluation Adjustment	29,650	29,650
Restated Balance	127,047	117,549

Capital Adjustment Account

	2013/14 £'000	2014/15 £'000
Balance Previously Reported	690,493	675,447
Revaluation Adjustment	-29,650	-29,650
Restated Balance	660,843	645,797

40. Post Balance Sheet Events

A particular event this year that is a non-adjusting post balance sheet event i.e. not requiring values to be altered in the accounts, is the impact of the EU referendum outcome. With the vote to leave the EU confirmed on 24 June 2016, global stock markets have, as expected, responded with some significant fluctuations. Whilst these significant fluctuations are expected to ease in the coming weeks, the Council will need to consider the impact of these events on its financial statements at the time of their approval. As an authority and a Pension Fund administering authority, with balances held in investments and other liabilities held at fair value, these events may have an impact. In this case the values reported may be significantly lower, or possibly higher, than the position reported at 31 March 2016.

Gloucestershire Pension Fund

Fund Account for the year ended 31st March 2016

2014/15		2015/16	Note
£'000		£'000	
Contributions			
-76,113	employer contributions	-81,156	N20
-16,753	members contributions	-17,292	N20
-92,866		-98,448	N7
Transfers in from other pension funds			
-3,708	individual transfers in from other schemes	-1,131	
-2,556	group transfers in from other schemes		
-6,264		-1,131	
Other income			
-157	recoveries for services provided	-139	N22
Benefits			
60,335	pensions	62,087	N31
8,918	commutation of pensions and lump sum retirement benefits	8,506	
1,755	lump sum death benefits	1,344	
71,008		71,937	N7
Payments to and on account of leavers			
102	refunds of contributions	115	
31	state scheme premiums	50	
3,579	individual transfers out to other schemes	2,200	
29,012	group transfers out to other schemes	1,078	N29
32,724		3,443	
4,445	Net (addition) / withdrawal from dealings with scheme members	-24,338	
7,093	Management Expenses	7,663	N22
Returns on investments			
-23,655	Investment income	-24,595	N15
41	Taxes on income	-27	N3 & N15
-190,503	Profit(-) and losses on disposal of investments and changes in market value of investments	47,868	N4
-214,117	Net returns on investments	23,246	
-202,579	NET INCREASE (-) / DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR	6,571	
1,506,495	Opening net assets of the scheme	1,709,074	
1,709,074	Closing net assets of the scheme	1,702,503	

Gloucestershire Pension Fund

Net Assets Statement as at 31st March 2016

2014/15 £'000		2015/16 £'000	Note
Investment assets			
173,518	Fixed interest securities	176,726	
312,365	Equities	312,866	
103,682	Index-linked securities	104,155	
978,743	Pooled investment vehicles	951,620	
113,586	Property unit trusts	127,990	N10
587	Derivative contracts	138	N2 & N17
4,587	Other investments - Venture Capital/Private Equity	5,219	N10
6,876	Cash held on behalf of the investment managers	9,198	
5,439	Other investment balances	7,254	
1,699,383		1,695,166	N14
Investment liabilities			
-949	Derivative contracts	-927	N2 & N17
-1,436	Other investment balances	-1,789	
-2,385		-2,716	N14
Long term assets			
338	Contributions due from employers	288	
2,472	Other long term assets (debtors)	2,472	
2,810		2,760	N14 & N24
Current assets			
3,076	Contributions due from employers	3,773	
581	Other current assets	286	
1,236	Money due re. transfer of staff to another pension scheme	618	
6,413	Cash balances	4,321	N2, N23, N27
11,306		8,998	N14 & N24
Current liabilities			
-5	Unpaid benefits	-10	
-1,975	Other current liabilities	-1,695	
-60	Receipts in advance		
-2,040		-1,705	N14 & N25
1,709,074	Net assets of the scheme available to fund benefits at the period end	1,702,503	N4, N5, N14 & N18

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

The actuarial present value of promised retirement benefits is disclosed at Note N26.

The notes on the following pages form part of these Financial Statements.

Gloucestershire Pension Fund

Notes

N1. Introduction

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

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

The scheme is voluntary and made available to all (*) employees except fire fighters, police and teachers (who have their own separate nationally-administered schemes). The Fund is financed by contributions paid in by the existing employees and their employers and by earnings from the investment of Fund monies. The number of contributors at 31st March 2016 was 18,630 (2015 18,141). The Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2009 (as amended)

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

** There are restrictions with some casual staff*

N2. Accounting policies

Basis of preparation

The Statement of Accounts summarises the Funds' transactions for the 2015/16 financial year and its position at year end as at 31st March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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 N26 of these accounts. The accounts are prepared on a going concern basis.

Accruals concept applied

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

Management expenses

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

Investment management expenses

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

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

Hermes deducts its fees from a combination of assets held and income distributions. GMO and Yorkshire Fund Managers deduct their fees from the value of the assets under their management. However in all these cases fees have been calculated and included within Investment Management Expenses.

Acquisition and transaction costs of investments

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

Administration expenses

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

Oversight & governance expenses

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

Investment Income

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

Cash

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

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 2016. 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.

Derivatives

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

N3. Taxation

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

N4. Investment movements summary**2015/16**

Asset Class	Market Value at 31st March 2015	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value, new money and accruals	Market Value at 31st March 2016
£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest	173,518	41,808	-32,017	-6,583	176,726
Equities	312,365	115,559	-92,476	-22,582	312,866
Index Linked	103,682	4,002	-2,447	-1,082	104,155
Derivatives	-362	725	-1,705	553	-789
Pooled Investments	978,743	17,256	-10,619	-33,760	951,620
Property Unit Trusts	113,586	5,551	-1,232	10,085	127,990
Private Equity	4,587	135	-	497	5,219
	1,686,119	185,036	-140,496	-52,872	1,677,787

In addition to the investments there was £24,716k (£22,955k 2014/15) in cash and accruals. Cash movements, currency adjustments and other end of year settlements totalled £5,004k (£6,196k 2014/15). As a result the total profit (-) and losses on disposal of investments and changes in market value of investments was £47.9m (-£190.5m 2014/15).

2014/15

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

In addition to the investments there was £22,955k (£22,311k 2013/14) in cash and accruals. Cash movements, currency adjustments and other end of year settlements totalled £6,196k (£2,244k 2013/14). As a result the total profit (-) and losses on disposal of investments and changes in market value of investments was -£190.5m (-£93.9m 2013/14).

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

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

N5. Management of fund assets

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

	2014/15		2015/16	
	£'000	%	£'000	%
Western Asset Management Company	359,868	21.1	370,280	21.7
BlackRock	495,689	29.0	486,382	28.6
CBRE	37,728	2.2	41,928	2.5
GMO	311,184	18.2	301,562	17.7
Standard Life Investments	405,851	23.7	394,396	23.2
Hermes Investment Management Property Unit Trust	82,073	4.8	92,629	5.4
Technology Venture Partners	2,833	0.2	3,056	0.2
Yorkshire Fund Managers (YFM)	1,754	0.1	2,163	0.1
Total - External Managers	1,696,980	99.3	1,692,396	99.4
In-house cash and accruals	12,075	0.7	10,053	0.6
Cash instruments with Custodian	19	0.0	54	0.0
	1,709,074	100.0	1,702,503	100.0

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

N6. Actuarial position of the Fund

- In line with the Local Government Pension Scheme Regulations, actuarial valuations of the Fund are required to be undertaken every three years, for the purpose of setting employer contribution rates for the forthcoming triennial period. The latest valuation took place as at 31st March 2013 and established the minimum contribution payments for the three years until 31st March 2017. The next valuation will take place as at March 2016.
- The estimate of the pension fund liability is subject to significant variations, based on changes to the underlying assumptions used - see below.
- The results of the 2013 valuation showed that the total common contribution rate was 32.9% (25.8% 2010 valuation) for the three years to 31st March 2017. Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report and the Funding Strategy Statement on the Fund's website. This rate of contribution is the rate which, in addition to the contributions paid by the members, is sufficient to meet:
 - ❖ 100% of the liabilities arising in respect of service after the valuation date;
 - ❖ plus an adjustment over a period of 20 years to reflect the shortfall of the value of the County Council's notional share of the Fund's assets over 100% of its accrued liabilities, allowing, in the case of members in service, for future pay increases.
- The market value of the Fund's assets at the March 2013 triennial valuation date was £1,385m (£1,054m March 2010) and represented 70.1% (70.4% March 2010) of the Fund's accrued liabilities, allowing for future pay increases. When a valuation reveals a deficiency, the employer contribution rates are adjusted to target restoration of a solvent position over a period of years (the recovery period). The recovery period applicable for each participating employer is set by the Administering Authority in consultation with the Scheme Actuary and employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund.
- The contribution rate has been calculated using the projected unit method in line with accepted guidelines and the main actuarial assumptions used are as follows:

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

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

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

- The full actuarial valuation reports for 2007, 2010 and 2013 are published on the County Council's website and can be viewed using the following web address:

www.gloucestershire.gov.uk/pensionsinvestments

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

N7. Analysis of contributions receivable and benefits payable

	2014/15		2015/16	
	Contributions receivable £'000	Benefits payable £'000	Contributions receivable £'000	Benefits payable £'000
Gloucestershire County Council <i>[Administering authority]</i>	39,624	39,057	43,845	40,112
Scheduled bodies (144 15/16) (141 14/15)* <i>[Bodies admitted by right]</i>	45,308	28,613	45,686	28,732
Admitted bodies (40 15/16) (35 14/15)* <i>[Bodies admitted by agreement]</i>	7,934	3,338	8,917	3,093
	92,866	71,008	98,448	71,937

Scheduled bodies now include 78 (75 14/15) schools who have converted to academy status.

* These numbers relate to active employers with active members

N8. Statement of Investment Principles

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

	2014/15 £'000	2015/16 £'000
Administrative expenses	1,412	1,553

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

Of the County Council's key management personnel, some of the Director: Strategic Finance's remuneration costs were charged to the Fund to reflect time spent. These consisted of salary, fees and allowances of £10,813 (£10,813 2014/15) and employers' pension contributions of £2,801 (£2,801 2014/15).

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.

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

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. S.Parsons	Cotswold District Council
Cllr. L. Stowe	Cotswold District Council
Cllr. R. Theodoulou	Cotswold District Council

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

The Pension Board was created on the 1st April 2015. Three members of the Board, Mr. Owen, Ms. Walton and Mr. Topping are members of the Fund as contributing employees. This does not impact on their roles as members of the Pension Board given the nature of the Board's functions.

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

N10. Contingent liabilities and contractual commitments

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

	Total Commitment	Outstanding liability 2014/15	Outstanding liability 2015/16
	£'000	£'000	£'000
Chandos Fund	3,000	286	151
CBRE	30,000	591	151
	33,000	877	302

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 (14/15 £38,504) has been recorded for possible additional contributions from ex members of staff, during 2016/2017 and future years.

N12. Unquoted holdings

The following holdings are unquoted:

	2014/15 £'000	2015/16 £'000
<u>Pooled investment vehicles</u>		
UK equity unitised insurance policy	9,218	-
Global equity managed funds	311,184	301,562
Overseas equity unitised insurance policies	437,153	422,424
UK limited liability partnerships	5,874	4,981
Overseas limited liability partnerships	4,607	4,517
Global multi asset unitised insurance policy	78,772	75,700
	846,808	809,184
<u>Property unit trusts</u>		
UK property unit trust	19,755	22,820
Overseas property unit trust	11,759	12,541
	31,514	35,361
Total	878,322	844,545

N13. Stocklending

The Pension Funds' custodian has been authorised to release stock to third parties under a stock lending arrangement. At 31st March 2016 the value of stock out on loan was £19.6m (2014/15 £4.8m) of which £14.2m (£4.8m) was in UK equities, £4.9m (£0) in UK and Overseas Government stock and £0.5m (£0) in UK Corporate Bonds. Collateral of £20.7m (£5.1m) equal to 106% (106%) of stock out on loan was held in the form of UK, Austrian Sovereign bonds, G10 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

	2014/15 £'000	2015/16 £'000	Note
Financial assets			
Fixed interest securities			
UK - Public Sector - Quoted	63,141	63,664	
UK - Other - Quoted	93,852	94,743	
Overseas - Public Sector - Quoted	13,678	11,490	
Overseas - Other - Quoted	2,847	6,829	
	173,518	176,726	
Equities			
UK - Quoted	312,365	312,866	
Index-linked securities			
UK - Public Sector - Quoted	89,044	92,190	
Overseas - Public Sector - Quoted	14,638	11,965	
	103,682	104,155	
Pooled investment vehicles			
Unit Trusts			
Overseas - Equities - managed from outside the UK - Quoted	58,499	63,921	
Unitised Insurance Policies			
UK - Equities - Unquoted	9,218	-	
Overseas - Equities - managed from outside the UK - Unquoted *	437,153	422,424	
Global - Multi Asset - managed from within the UK - Unquoted	78,772	75,700	
Other Managed Funds			
O.E.I.C.'s			
Overseas - Fixed interest - managed from outside the UK - Quoted *	73,436	78,515	
Global - Equities - managed from outside the UK - Unquoted *	311,184	301,562	
Limited Liability Partnerships			
UK - Property - managed from within the UK - Unquoted	5,874	4,981	
Overseas - Fixed interest - managed from outside the UK - Unquoted	4,607	4,517	
	978,743	951,620	
Property Unit Trusts			
UK - managed from within the UK - Quoted	82,072	92,629	
UK - managed from within the UK - Unquoted	2,595	2,349	
UK - managed from outside the UK - Unquoted	17,160	20,471	
Overseas - managed from outside the UK - Unquoted	11,759	12,541	
	113,586	127,990	N10
Derivative Contracts			
Futures - UK	27	-	
Futures - Overseas	-	29	
Forward foreign exchange contracts	560	109	
	587	138	N17
Other Investments			
Venture Capital/Private Equity - UK	4,587	5,219	N10
Cash (Managers)			
Cash instruments - UK	4,261	4,943	
Cash instruments - Overseas	1,441	1,532	
Cash deposits - UK	377	2,336	
Cash deposits - Overseas	797	387	
	6,876	9,198	
Other investment balances			
Debtors			
Outstanding settlement of investment transactions	1,092	2,979	
Accrued dividend income and tax reclaims due on dividend income	4,347	4,275	
	5,439	7,254	
Total Financial Assets	1,699,383	1,695,166	

	2014/15 £'000	2015/16 £'000	
Financial Liabilities			
Derivative Contracts			
Futures - UK	-	-58	
- Overseas	-73	-	
Forward foreign exchange contracts	-876	-869	
	-949	-927	N17
Other investment balances			
Creditors			
Outstanding settlement of investment transactions	-1,436	-1,789	
Total Financial Liabilities	-2,385	-2,716	
Long Term Assets			
Contributions due from employer	338	288	
Money due re. transfer of staff to another pension scheme	2,472	2,472	
	2,810	2,760	N24
Current Assets			
Contributions due from employers	3,076	3,773	
Other current assets (debtors)	581	286	
Money due re. transfer of staff to another pension scheme	1,236	618	
Cash balances	6,413	4,321	N23
	11,306	8,998	N24
Current Liabilities			
Unpaid benefits	-5	-10	
Other liabilities (creditors)	-1,975	-1,695	
Receipts in advance	-60	-	
	-2,040	-1,705	N25
TOTAL	1,709,074	1,702,503	

* These overseas pooled funds may incorporate some UK assets.

N15. Investment income

Investment income arises from the following investment categories:

	2014/15 £'000	2015/16 £'000
Fixed interest	6,537	6,853
Equities	11,105	10,582
Index-linked	1,264	1,825
Pooled investment vehicles	4,631	5,192
Interest on cash deposits	93	72
Private equity	-	-
Other income from stocklending, underwriting and class actions	25	71
	23,655	24,595
Withholding tax	-41	27
	23,614	24,622

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 Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

	Prudential		Phoenix Life		Total Investments	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Value of investments at 1 st April	7,416	7,526	115	95	7,531	7,621
Prior year adjustments	2	-	-	-	2	-
Contributions received in year*	661	602	-	-	661	602
Death in service premiums paid by members	-6	-6	-	-	-6	-6
Sales of investments	-946	-1,288	-21	-35	-967	-1,323
Changes in value of investments	400	393	-	-	400	393
Present value of investments	7,527	7,227	94	60	7,621	7,287

* Contributions paid by members in the Prudential scheme during 2015/16 totalled £602,166 (2014/15 £661,109) which included additional death in service premiums totalling £6,151 (2014/15 £6,417).

N17. Derivatives

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

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

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

In the table below, the 'notional value' of the stock purchases under futures contracts is the economic exposure and the value subject to market movements as at 31st March 2016.

Derivative Contract Analysis

	Contract type*	2014/15 Notional Value £'000	2015/16 Notional Value £'000	Expiration	2014/15 Market Value £'000	2015/16 Market Value £'000
INVESTMENT ASSETS						
<u>Futures</u>						
UK - Fixed Interest						
UK Long Gilt Future	ET	2,415	-	Less than 3 months	27	-
UK Futures		2,415	-		27	-
Overseas - Fixed Interest						
US Treasury Bond Future	ET	-	-3,663	Less than 3 months	-	29
Overseas Futures		-	-3,663		-	29
Total Futures		2,415	-3,663		27	29
<u>Forward foreign exchange contracts</u>						
Forward foreign exchange contracts	OTC	21,631	9,157	Less than 6 months	560	109
Total Derivative Assets		24,046	5,494		587	138
INVESTMENT LIABILITIES						
<u>Futures</u>						
UK - Fixed Interest	ET	-	20,850	Less than 3 months	-	-58
UK Futures		-	20,850		-	-58
Overseas - Fixed Interest						
US Treasury Bond Future	ET	3,753	-	Less than 3 months	-73	-
Overseas Futures		3,753	-		-73	-
Total Futures		3,753	20,850		-73	-58
<u>Forward foreign exchange contracts</u>						
Forward foreign exchange contracts	OTC	32,462	43,167	Less than 6 months	-876	-869
Total Derivative Liabilities		36,215	64,017		-949	-927
Net Futures					-362	-789

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

The total Futures' initial margin for 2015/16 was £0.4m (£0.0m 2014/15) and the total variation margin was £0.4m (£0.2m 2014/15). 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 2016 is given below:-

Open Forward Currency Contracts at 31st March 2016

Settlement	Currency bought	Local Value 000	Currency sold	Local Value 000	Asset Value £000	Liability Value £000
Up to six months	GBP	3,458	USD	4,905	47	
Up to six months	USD	4,160	JPY	462,151	30	
Up to three months	GBP	881	USD	1,240	18	
Up to three months	BRL	5,559	USD	1,558	6	
Up to six months	GBP	330	HKD	3,631	4	
Up to six months	GBP	278	JPY	44,421	3	
Up to six months	GBP	230	CNY	2,144	1	
Up to six months	GBP	4,430	SEK	54,170		-225
Up to six months	GBP	8,334	EUR	10,745		-194
Up to three months	USD	1,342	BRL	5,559		-157
Up to six months	GBP	10,940	USD	15,933		-144
Up to six months	GBP	7,687	USD	11,097		-33
Up to six months	GBP	2,727	EUR	3,471		-31
Up to six months	GBP	4,694	USD	6,786		-27
Up to six months	GBP	966	EUR	1,240		-18
Up to six months	GBP	236	MYR	1,391		-13
Up to six months	GBP	569	AUD	1,086		-10
Up to six months	GBP	193	NZD	415		-7
Up to six months	GBP	401	SGD	787		-5
Up to six months	USD	1,519	BRL	5,559		-5

109	-	869
-	-	760

Net forward currency contracts at 31st March 2016

Prior year comparative

Open forward currency contracts at 31st March 2015

Net forward currency contracts at 31st March 2015

560	-	876
-	-	316

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

At 31st March 2016 the Pension Fund held three, (2014/15, two) investments that each exceeded 5% of the total value of the net assets of the scheme. These are detailed as follows:

Investments exceeding 5% of Total Net Assets	2014/15		2015/16	
	£'000	%	£'000	%
* BlackRock Global Equity Fund	437,153	25.6	422,424	24.8
* GMO World Equity Allocation Investment Fund	311,184	18.2	301,562	17.7
* Hermes Property Unit Trust	-	-	92,629	5.4
	748,337	43.8	816,615	47.9

BlackRock investments are Unitised Insurance Policies

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

Hermes Property Unit Trust is a Property Unit Trust

** Indicates assets which are in excess of 5% of both net assets and their asset class for 2015/16*

Investments exceeding 5% of their Asset Class	2014/15		2015/16	
	£'000	%	£'000	%
Fixed interest securities				
Treasury 4.25% 2040	21,942	12.6	28,275	15.5
Treasury 3.75% 2021	14,479	8.3	14,470	7.9
Treasury 4.25% 2039	9,725	5.6	9,680	5.3
Equities				
Royal Dutch Shell 'B' Shares	18,476	5.9	**	**
HSBC Holdings	18,174	5.8	**	**
Index-linked securities				
United Kingdom IL 1.875% 2022	14,932	14.4	14,809	14.2
United Kingdom IL 1.25% 2027	13,681	13.2	13,580	13.0
Treasury IL Variable Rate 2035	13,109	12.6	13,002	12.5
United Kingdom IL 1.125% 2037	10,873	10.5	10,891	10.5
Treasury IL 1.25% 2055	9,390	9.1	9,560	9.2
US Treasury IL 1.375% 2044	9,132	8.8	9,105	8.7
United Kingdom IL 0.375% 2062	5,831	5.6	8,776	8.4
United Kingdom IL 1.25% 2032	8,339	8.0	8,287	8.0
Treasury IL 0.75% 2047	5,202	5.0	5,225	5.0

Pooled investment vehicles				
* Blackrock Global Equity Fund	437,153	44.7	422,424	44.6
* GMO World Equity Allocation Investment Fund	311,184	31.8	301,562	31.9
Legg Mason Global Funds - WA GMS	72,587	7.4	77,569	8.2
Standard Life Global Absolute Return Strategies Fund	78,772	8.0	75,700	8.0
Blackrock Emerging Markets Index Fund	58,499	6.0	63,921	6.8

Property unit trusts				
* Hermes Property Unit Trust	82,072	72.3	92,629	72.4
Global Alpha Fund	8,671	7.6	8,771	6.9

Derivative contracts - assets				
UK Long Gilt Future (LIF) Exp Jun 15	27	100.0	-	-
US Treasury Bond Future (CBT) Exp Jun 16	-	-	18	61.1
US Ultra Bond (CBT) Exp Jun 16	-	-	11	38.9

Derivatives contracts- Liabilities				
US Treasury Bond Future (CBT) Exp Jun 15	-73	100.0	-	-
UK Long Gilt Future (LIF) Exp Jun 16	-	-	-58	100.0

Other investments - Venture Capital/Private Equity				
South West Venture Fund	2,833	61.8	3,056	58.6
Chandos Fund	1,754	38.2	2,163	41.4

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

N19. Agency services

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

	2014/15 £'000	2015/16 £'000
Discretionary Payments	1,174	1,102

N20. Contributions breakdown

	2014/15 £'000	2015/16 £'000
From Employers:		
Normal	41,158	42,830
Augmentation	-	-
Deficit Funding	32,228	37,080
Other	2,727	1,246
	76,113	81,156
From Members:		
Normal	16,379	16,967
Additional Voluntary	374	325
	16,753	17,292

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

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

These payments follow the principles outlined in the Funding Strategy Statement. Early retirement costs are usually paid in one lump sum or were historically paid over several years dependent on the status of the employer. When a payment is spread there is an extra cost to reflect the delay in total payment. There are currently no early retirement costs being spread; however at 31st March 2016 £0.04m (2014/15 £0.1m) 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 2016 use the valuations for the Fund's assets provided by our custodian, BNY Mellon Asset Servicing SA/NV. This reflects the position of the custodian who is ultimately the master book of record. Fund Managers must make sure that their records agree with those kept by the custodian, although the investment values may be obtained from different sources. Using the custodian's valuations ensures that the various portfolios are priced consistently, so that the same stocks, in different portfolios, are valued on the same basis. Investments held in custody by BNY Mellon Asset Servicing SA/NV on behalf of the Pension Fund, are ring-fenced from the assets of the Bank and segregated within its books as belonging to Gloucestershire County Council's Pension Fund.

N22. Management expenses

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

Transaction costs of £694,532 (£350,127 2014/15) previously included within the purchase cost/proceeds of investment purchases and sales have now been added to Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments.

<u>Management expenses</u>	2014/15	2015/16
	£'000	£'000
Investment management expenses *	5,753	6,186
Administration expenses	933	1,002
Oversight & governance	407	475
	<u>7,093</u>	<u>7,663</u>

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

The increase in Administration Expenses is largely due to the set up costs of a data capture system for enhancing actuarial information and the increase in Oversight & Governance is mainly due to Pooling costs resulting from the Government's recent initiative and Fund data modelling.

Within Oversight and Governance costs there were actuarial expenses of £109,830 (£134,997 2014/15) 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.

	2014/15	2015/16
Investment management expenses*	£'000	£'000
Fund value based management fees - invoiced	2,865	2,982
- deducted from investment	<u>1,868</u>	<u>1,970</u>
	4,733	4,952
Performance fee - invoiced	244	117
- deducted from investment	<u>354</u>	<u>346</u>
	598	463
	<u>5,331</u>	<u>5,415</u>
Transaction costs	350	695
Custody costs	<u>72</u>	<u>76</u>
	5,753	6,186

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

Transaction costs have increased as a result of repositioning the UK Equities mandate against a new (capped) benchmark during June 2015.

N23. Cash

From the 1st April 2010 the Pension Fund has had its own bank account. At 31st March 2016 cash of £4.3m (made up of £4.5m on loan and £0.2m overdrawn) (£6.4m 2014/15) was invested through the County Council's short-term investment procedures. During the year the average investment balance was £2.3m (£4.4m 2014/15) earning interest of £36.6k (£20k 2014/15).

N24. Current & long term assets

	2014/15	2015/16
	£'000	£'000
Current assets		
Contributions due - Employees	572	761
Contributions due - Employers	2,504	3,012
Sundry debtors	581	286
Money due re. transfer of staff to another pension scheme	1,236	618
	4,893	4,677
Cash balances	6,413	4,321
	11,306	8,998

	2014/15	2015/16
	£'000	£'000
Current assets		
Analysis of debtors		
Central government bodies	1,311	955
Other local authorities	1,399	1,199
NHS bodies	16	14
Public corporations and trading funds	-	-
Academies	405	938
Bodies external to general government	1,762	1,571
	4,893	4,677

	2014/15	2015/16
	£'000	£'000
Long term assets		
Central government bodies	2,472	2,472
Other entities and individuals	338	288
	2,810	2,760

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

It had been agreed that an employer who left the Fund could spread the payment of their deficit over a number of years. The total amount was credited to the Pension Fund and an accrual made for the outstanding amount. The accrual is rolled forward each year and adjusted for deficit payments made. A payment of £50,000 is due to the Pension Fund within the next twelve months.

N25. Current liabilities

	2014/15 £'000	2015/16 £'000
Benefits payable	-5	-10
Sundry creditors	-1,975	-1,695
Receipts in advance	-60	-
	-2,040	-1,705
Analysis of creditors	2014/15 £'000	2015/16 £'000
Central government bodies	-690	-649
Other local authorities	-178	-64
Academies	-	-
Bodies external to general government	-1,172	-992
	-2,040	-1,705

N26. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation (See Note N6), the fund's Actuary also undertakes a valuation of the pension fund liabilities on an IAS19 basis every year. These liabilities have been projected using a roll forward approximation from the last triennial valuation as at 31st March 2013.

Balance Sheet:

Year Ended	31 st March 2015 £m	31 st March 2016 £m
Present Value of Promised Retirement Benefits	2,748	2,569

Net Assets Available for Benefits

Year Ended	31 st March 2015 £m	31 st March 2016 £m
Net assets	1,709	1,703

The assumptions used are suitable for IAS19 purposes as required by the Code of Practice; these differ from those used for the triennial valuation. It is estimated that the impact of the change of assumptions to 31st March 2016 is to decrease the actuarial present value by £252m (14/15 increase of £364m).

Significant Actuarial Assumptions Used**Financial assumption:**

Year Ended	31 st March 2015 % pa	31 st March 2016 % pa
Inflation/Pension Increase Rate	2.4	2.2
Salary Increase Rate	3.8	3.7
Discount Rate	3.2	3.5

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 aged 45 at the most recent formal valuation as at 31st March 2013.

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.

Sensitivity Analysis

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

Change in assumptions for the year ended 31st March 2016	Approximate % increase to liabilities %	Approximate monetary amount £m
0.5% decrease in discount rate	10	270
1 year increase in member life expectancy	3	77
0.5% increase in salary increase rate	3	87
0.5% increase in pensions increase rate	7	178

N27. Nature and extent of risks arising from Financial Instruments

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

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

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

The Fund's investments are held by BNY Mellon Asset Servicing, who acts as custodian on behalf of the Fund.

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

Market Risk

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

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

Other Price Risk

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

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

Other Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of return experienced by each investment portfolio during the year to 31st March 2016. The volatility data is broadly consistent with a one-standard deviation movement in the value of the assets. The analysis assumes that all other variables remain constant.

Movements in market prices would have increased or decreased the assets, as held by the Fund's custodian, at 31st March 2016 by the amounts shown below:

As at 31st March 2016	Value £'000	Volatility of return %	Value on Increase £'000	Value on Decrease £'000
UK Bonds	169,897	6.9	181,636	158,157
UK Index Linked Gilts	92,190	10.0	101,437	82,943
UK Equities	312,866	10.1	344,465	281,266
Overseas Bonds	101,827	6.0	107,997	95,656
Multi National Equities*	863,606	9.8	947,894	779,318
UK Property	120,429	2.0	122,898	117,961
Overseas Property	12,541	14.6	14,375	10,708
Venture Capital/Private Equity	5,219	14.5	5,973	4,465
	1,678,575		1,826,675	1,530,474
Total Gloucestershire Fund	1,678,575	7.1%	1,796,915	1,560,236

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

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 2016 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 3.05% (2014/15 3.4%) and moved between a high of 4.4% (4.6% 2014/15) and a low of 2.0% (2.0% 2014/15). As at the end of March 2016 this yield was 2.2% (2.2% 2014/15). Given the high degree of uncertainty over the future economic situation, the Fund's bond manager has advised that it is entirely possible that yields could fluctuate anywhere within this historic range in the next year, or in extreme circumstances outside these boundaries.

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

Asset type	Carrying amount as at 31 March 2016 £'000	Change in the year in the net assets available to pay benefits	
		+100BPS £'000	-100BPS £'000
Bond Portfolio - Fixed Interest Securities excluding cash	362,380	-43,491	43,491

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

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, global property manager and the global multi asset 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 6.3% (as measured by one standard deviation).

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

A 6.3% 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:

2015/16 Currency exposure - Asset type	Asset value as at 31st March 2016 £'000	Change to net assets available to pay benefits	
		£'000 +6.3%	£'000 -6.3%
Global Fixed Interest	432	460	405
UK Equities	449	477	421
Global Equities	688,006	731,350	644,662
Emerging Market Equities	64,144	68,185	60,103
Global Multi Asset	-	0	0
	753,031	800,472	705,591

Following further discussions with the Global Multi Asset Manager it has become apparent that this Fund's currency risk is actively hedged and it is now considered more appropriate to exclude this holding from the table below. Therefore we have re-stated the 2014/15 table to enable comparisons.

2014/15 Currency exposure - Asset type Re-stated	Asset value as at 31st March 2015 £'000	Change to net assets available to pay benefits £'000	£'000
		+5.6%	-5.6%
Global Fixed Interest	2,283	2,412	2,155
UK Equities	739	781	698
Global Equities	721,333	761,934	680,731
Emerging Market Equities	58,499	61,791	55,206
Global Multi Asset	-	-	-
	782,854	826,918	738,790

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

Credit Risk

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

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

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

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

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

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

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

Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. This risk is managed by restricting the collateral permitted to high grade sovereign debt and baskets of liquid equities. Cash collateral is not permitted.

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

The credit risk within the bond portfolios can be analysed using standard industry credit ratings and the analysis as at 31st March 2016 is set out below.

Credit Analysis

31st March 2016	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000
UK Gilts	62,670	-	-	-	-	-	-
UK Index Linked	92,596	-	-	-	-	-	-
Overseas Govt Bonds	11,592	-	-	-	-	-	-
Overseas Inflation-linked	10,819	-	-	-	-	-	-
Corporate Bonds	-	2,597	43,519	27,500	8,158	-	1,682
Asset Backed	1,100	1,373	5,459	11,638	1,739	-	-
Emerging Markets	-	-	495	-	1,806	-	-
Mortgages	-	1,057	-	-	-	-	-
Supra/Sov/Local Govts	3,136	-	-	-	-	-	-
Cash/Cash Equivalents/Currency Forwards	1,432	-	-	262	-	-	2,433
	183,345	5,027	49,473	39,400	11,703	-	4,115
% of Fixed Interest Portfolio	62.6%	1.7%	16.9%	13.4%	4.0%	-	1.4%

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

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 2016 is shown below:

Account Name	Rating*	Balances as at 31st March 2015	Rating*	Balances as at 31st March 2016
		£'000		£'000
** Standard Life Sterling Liquidity Fund	AAAmmf	3,837	AAAmmf	1,542
** Federated Short Term Sterling Prime Fund	AAAmmf	2,019	AAAmmf	2,725
HSBC Instant Access	A-1+/AA-	531	A1+/AA-	195
HSBC Current Account	A-1+/AA-	25	A1+/AA-	45
Total		6,412		4,507

* Ratings quoted are all Standard and Poors as at 31st March 2016 and 2015 with the exception of Federated Prime, which is Fitch rated as at 31st March 2016

** Renamed

Liquidity Risk

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

All financial liabilities are due within one year.

Refinancing risk

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

Fair value hierarchy

The Fund is required to classify its investments using a fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. Fair value is the value at which the investments could be realised within a reasonable timeframe. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. The fair value hierarchy has the following levels:

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

The following sets out the Fund's investment assets (by class) measured at fair value according to the fair value hierarchy, as held by the Fund's custodian, at 31st March 2016

2015/16	Level 1	Level 2	Level 3
Type of Asset	£'000	£'000	£'000
UK Equities	312,866	-	-
Global Equities	300,054	1,508	-
Emerging Market Equities	63,920	-	-
Fixed Interest	-	162,866	-
Index Linked Securities	-	92,190	-
Overseas Fixed Interest	180	96,684	-
Overseas Index Linked	9,105	2,860	-
Unitised Insurance Policy	422,424	75,700	-
Property	-	24,239	108,732
Private Equity	-	-	5,219
Cash & Cash Equivalents	6,475	-	-
TOTAL	1,115,024	456,047	113,951

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

N28. Financial instrument disclosure

2015/16	Designated as fair value through P & L £'000s	Loans & Receivables £'000s	Financial liabilities at amortised cost £'000s
Financial assets			
Fixed interest securities	280,881	-	-
Equities	312,866	-	-
Pooled investments	1,079,610	-	-
Private equity	5,219	-	-
Derivative contracts	138	-	-
Cash	-	13,519	-
Other investment balances	-	7,254	-
Debtors	-	7,437	-
	<u>1,678,714</u>	<u>28,210</u>	<u>-</u>
Financial liabilities			
Derivative contracts	-927	-	-
Other investment balances	-	-1,789	-
Creditors	-	-	-1,705
Borrowings	-	-	-
	<u>-927</u>	<u>-1,789</u>	<u>-1,705</u>
	<u>1,677,787</u>	<u>26,421</u>	<u>-1,705</u>

2014/15	Designated as fair value through P & L £'000s	Loans & Receivables £'000s	Financial liabilities at amortised cost £'000s
Financial assets			
Fixed interest securities	277,200	-	-
Equities	312,365	-	-
Pooled investments	1,092,329	-	-
Private equity	4,587	-	-
Derivative contracts	587	-	-
Cash	-	13,289	-
Other investment balances	-	5,439	-
Debtors	-	7,703	-
	<u>1,687,068</u>	<u>26,431</u>	<u>-</u>
Financial liabilities			
Derivative contracts	-949	-	-
Other investment balances	-	-1,436	-
Creditors	-	-	-2,040
Borrowings	-	-	-
	<u>-949</u>	<u>-1,436</u>	<u>-2,040</u>
	<u>1,686,119</u>	<u>24,995</u>	<u>-2,040</u>

N29. Transfers in and out of the Pension Fund

Transfers to other pension funds

The Pension Fund received notification that all Valuation Tribunals across the country would be transferring their pension assets and liabilities into the London Pensions Fund Authority (LPFA). This involved transferring the Gloucestershire & Severnside Valuation Tribunals' records, pensioners and members to LPFA together with £1.1m representing the Valuation Tribunal's share of the Pension Fund assets.

N30. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 requires consideration of the impact of Standards that have been issued but not yet adopted. This is to enable users to evaluate the risk of these new Standards on the Pension Fund's current financial position.

The Pension Fund has yet to adopt the amendment to International Accounting Standard (IAS) 1 Presentation of Financial Statements (Disclosure Initiative). IAS 1 sets out the overall requirements for financial statements and will change the format of the Pension Fund Account and Net Assets Statement. Although this amendment to the standard was effective for accounting periods beginning on or after 1st January 2016, its adoption was deferred by the CIPFA/LASSAC Local Authority Accounting Code Board until the 2016/17 Code.

It is anticipated that this Standard will not have a material impact on the accounts when it is applied prospectively from 1st April 2016.

N31. Taxation where lifetime or annual allowances are exceeded

Where a member's benefit entitlement exceeds the United Kingdom Inland Revenue tax limits (Lifetime Allowance or the Annual Allowance), the member is liable for taxation. This tax can be settled by the member or has to be settled by the Pension Fund on behalf of the member in exchange for a reduction in benefit entitlement. The Pension Fund has paid tax of £50k on behalf of members in 2015/16 which will be recovered from their future pension payments. An accrual has not been made for the recovery of this tax element on the grounds of materiality and the very long term nature of its recovery.

N32. Events after the reporting date

Following the EU referendum and the decision to leave the EU, stock markets and currency exchanges experienced significant fluctuations whilst the implications of this decision was being assimilated. As investments are valued at fair value and the benefit only realised upon sale, any change is considered a non-adjusting event.

Fire Pensions Accounts

Fund Account for the year ended 31st March 2016

2014/15 £000		FPS £000	NFPS £000	Modified Scheme £000	2015 Care Scheme £000	Total £000
	Contributions Receivable					
-1,616	Fire Authority contributions in relation to pensionable pay	-899	-19	-57	-531	-1,506
-	early retirements	-	-	-	-	-
-	other: Ill health retirement	-	-	-	-	-
-1,177	Firefighters' contributions	-621	-17	-121	-449	-1,208
-9	normal	-8	-	-	-	8
	other: Added Years					
-	Transfers in					
	transfers in from other schemes	- 1,034	-	-	-	1,034
	Benefits Payable					
4,512	pensions	4,655	13	1	-	4,669
759	commutations & lump sum retirement benefits	2,324	9	5	-	2,338
-	lump sum death benefits	-	-	-	-	-
	Payments to and on account of leavers					
-	refunds of contributions	-	-	-	-	-
-	transfers out to other schemes	-	13	-	-	13
2,469	Net amount payable for the year	4,417	-1	-172	-980	3,264
-2,469	Top-up grant receivable / payable to central government	-4,417	1	172	980	-3,264
-		-	-	-	-	-
	Net Assets Statement for the year ended 31st March 2016					
	Net current assets and liabilities					
	Current Assets					
-468	contributions due from employer	-	-	-	-	-
	pension top-up grant receivable from central government	-1,556	1	172	980	403
	recoverable overpayments of pensions	-	-	-	-	-
	Current Liabilities					
	unpaid pension benefits	-	-	-	-	-
	amount payable to central government	-	1	172	980	1,153
	other current liabilities	-	-	-	-	-
468	amount owing to general fund	1,556	-	-	-	1,556
-		-	-	-	-	-

Notes

The Firefighters pension fund is administered by the County Council. Under the Public Services(Firefighters) Pension Regulations 2014, four schemes currently exist: the 'Firefighter Pension Scheme 1992' (FPS) which is for whole-time firefighters who were employed before 5th April 2006; The 2006 'New Firefighters Pension Scheme' (NFPS) for all whole-time firefighters who have joined since 6th April 2006, those that have transferred from the old scheme, and all Retained Firefighters; The modified scheme which offers retrospective access to benefits to retained firefighters employed since April 2000; The 2015 Care Scheme for all new members employed from April 2015 with transitional arrangements and protections. It is an unfunded scheme which is "contracted out" of the state scheme and is termed a defined benefit (or final salary) scheme. The fund is financed by contributions paid in by existing firefighters and the Fire Service with any balance receivable from or payable to the Home Office, 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 Government 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 2015/16. There are no administration charges included in the accounts and the fund's financial statements do not take into account any liabilities to pay pensions and other benefits after the period end.

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

In May 2015 a determination was made by the pensions ombudsman requiring an amendment to the basis on which commutation lump sum payments were made to retiring firefighters between 2001 and 2006. This determination resulted in additional payments being made to these individuals in 2015-16 totalling £549,358.

Glossary of terms

Accounting Policies

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

Accounting Standards

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

Accrual

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

Actuary

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

Active Investment Management

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

Actuarial Gains and Losses

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

Admitted Body

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

Amortisation

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

Additional Voluntary Contributions (AVC's)

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

Benefits in Kind

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

Capital Expenditure

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

Class of Tangible Fixed Assets

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

Operational Assets

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

Non-operational Assets

- Assets under construction
- Surplus assets held for disposal.

Code of Practise (CODE)

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

Community Assets

Assets that the Council intends to hold in perpetuity that have no determinable useful life, which may have restrictions on their disposal. Examples of Community Assets are parks and historical buildings.

Consistency

The principle that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.

Contingent Asset

A Contingent Asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

A Contingent Liability is either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The Corporate and Democratic Core comprises all activities which the council engage in specifically because it is an elected, multi-purpose council. The cost of these activities are over and above those which would be incurred by a series of independent, single purpose, nominated Bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Dedicated Schools Grant (DSG)

A specific Government grant which funds schools and schools related expenditure. The grant is ringfenced and can only be used in support of the School's budget.

Deferred Charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, assets controlled by the council.

Deferred Retirement Benefit

A benefit that a member has accrued but is not yet entitled to receive payment.

Depreciation

The measure of the cost or revalued amount of the benefits of the Fixed Asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a Fixed Asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the Asset.

Derivative

A security whose price is dependent upon, or derived from, one or more underlying Assets. The derivative itself is merely a contract between two or more parties. It's value is determined by fluctuations in the underlying Asset. The most common underlying Assets include stocks, bonds, commodities, currencies, interest rates and market indexes.

Disclosure

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

Discretionary Benefits

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

Estimation Techniques

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

Events After the Balance Sheet Date

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

Exceptional Items

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

Exchange Traded Funds (ETFs/ET's)

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

Extraordinary Items

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

Fair Value

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

Finance Lease

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

Funding Level

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

Futures Contracts

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

Going Concern

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

Government Grants

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

Guaranteed Minimum Pension (GMP)

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

IFRS

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

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

