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Foreword by Group Director, Business Management and Chief Financial Officer

This document presents the published accounts of the Council for the financial year ending 31st March 2010. The format and content of the accounts are laid down by the Code of Practice on Local Authority Accounting issued by CIPFA, the professional body of public sector accountants. The Council is legally required to follow this Code of Practice. Explanatory notes are included to assist in the interpretation of the accounts, which are unavoidably technical and complex.

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts.

This year the substantive changes introduced to the accounts include:

- Changes to the accounting requirements for the Private Finance Initiative (PFI) and similar contracts
- Accounting for local taxes, in particular Council Tax
- Increased disclosures relating to Officer Remuneration

These changes have resulted in the restatement of the 2008/09 accounts. In addition some minor rounding restatements have been made.

The Statement of Accounts consists of:

- *Statement of Accounting Policies*
- *Statement of Responsibilities for the Statement of Accounts*
- *Income and Expenditure Account*

This summarises the resources that have been applied and generated in providing services and managing the Council during the last year. It includes all day-to-day expenses on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real value of retirement benefits earned by employees in the year.

- *Statement of the Movement on the General Fund Balance*

This shows whether the Council has over or under-spent against the council tax that it raised for the year, taking account of the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

- *Statement of Total Recognised Gains and Losses (STRGL)*

This brings together all the recognised gains and losses of the Council in the year and shows the aggregate decrease in net worth. In addition to the surplus/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

- *Balance Sheet*

This shows the financial position of the Council at 31st March 2010 with details of its assets and liabilities.

- *Cash Flow Statement*

This summarises the movement of cash arising from transactions with third parties during the year.

- *Notes to the Accounts (including Pensions Disclosures)*

The notes to the accounts add to, and interpret the content of, individual statements. Where a note is relevant to more than one accounting statement, this is clearly stated.

In addition, the accounts of the *Gloucestershire Pension Fund* and the *Fire Pension Accounts* are included.

Although the Annual Governance Statement is included in this document, the 2009 SORP makes it clear that it is not formally part of the Statement of Accounts and is not covered directly by the Chief Finance Officer's certification or the audit report. However, there is a requirement that this statement, which is signed by the Leader, Chief Executive and Group Director & Chief Financial Officer, is considered by the Audit Committee.

In 2009/10, for the first time, the Group Director & Chief Financial Officer is required to certify that the accounts present a true and fair view.

Summary of the 2009/10 Financial Year

The accounts distinguish between revenue and capital expenditure. Revenue spending generally relates to items that are used within a year. Capital spending is expenditure on the acquisition of new assets or which adds value to existing assets or which extend the life of the asset beyond one year and where it is appropriate to spread the costs across the tax payers who will be receiving benefits over more than one year.

Revenue Expenditure

The original revenue budget for 2009/10 was £374.966m and this was subsequently increased by £0.942m, mainly as a result of under-spends carried forward from 2008/09 and increases in Area Based Grant (ABG), to give a revised budget total of £375.908m. The Council's actual expenditure in 2009/10, net of income, totalled £378.328m, a net over-spend of £2.420m (around 0.64% of the budget). Given the difficult operating conditions experienced during the year this represents a reasonable outcome, particularly when the good service performance of the Council is taken into account.

Services overspent by just over £8.9m, primarily relating to Looked After Children services, within the Children & Young People Directorate, and Older Peoples and Physical Disabilities External Care services, within the Community & Adult Care Directorate. A net under-spend of £1.84m on capital financing costs and interest credits, and nearly £6.0m savings from Technical & Corporate budget areas where planned expenditure could be reduced, stopped or postponed, helped to contain the overall outturn over-spend position. Elements of the Children & Young People and Community & Adult Care Directorates overspend may be carried forward to reduce budgets, and increase balances, in 2010/11.

Uncommitted general balances at 31st March 2010 were £14.0m compared to £17.2m at the start of the year. Whilst this is slightly below the 4% - 6% (£15m - £22.5m) target range outlined for reserves in the Council's Medium Term Financial Strategy, it is sufficiently close to be adequate. The 2010/11 net budget is £407.264m and balances represent 3.4% of this budget.

The Statement of Accounts and the directorate spend are prepared on different bases. The directorate outturn overspend is £2.420m against a budget adjusted for approved carry forwards (£0.749m), which are funded through transfers from reserves. After adjusting for carry forwards the actual deficit for the year is £3.169m. The statement below reconciles the two positions.

Reconciliation between reported Directorate Outturn and Statement of Accounts for 2009/10.

	£'000	£'000
County Fund		
Balance as at 31 st March 2009	20,676	
Balance as at 31 st March 2010	<u>11,750</u>	
Decreases in County Fund balance		<u>8,926</u>
Outturn		
Transfers from County Fund to earmarked reserves	5,757	
Reported Outturn figure	2,420	
Carry forwards transferred to revenue during the year	<u>749</u>	
		<u>8,926</u>
Statement of Accounts		
Reported Income and Expenditure figure	62,547	
Reported movement on general fund balance	<u>-53,621</u>	<u>8,926</u>

Balance Sheet Position

Our net worth has moved from a £68 million surplus to a £337 million deficit between 2008/09 and 2009/10. The gains and losses in our net worth are shown in the Statement of Total Recognised Gains and Losses (STRGL) on page 34. The Balance Sheet is shown on Page 35

The change in net worth is mainly due to a £302 million loss on pension fund assets and liabilities and a £63 million deficit on the 2009/10 Income & Expenditure Account, together with a £37m reduction to reflect transfer of foundation schools assets.

The increase in the net pension fund liability partly reflects the current uncertainties in the financial markets. However the pension fund deficit does not place an immediate burden on the Council's reserves but simply provides a snapshot (at 31st March 2010). The deficit on the fund will be actively managed and made good by increased contributions over the remaining working life of employees. The level of employer contributions will be reviewed by the actuary on a regular basis.

The deficit on the Income and Expenditure Account reflects an increase of £35 million for the impairment of fixed assets, mainly due to the current economic climate; a £10 million fall in return on Pension Assets and, a £10 million reduction on investment income, following changes to our investment strategy during the economic downturn.

While these deficits have a significant impact on the net worth of the Council, as recorded in the Balance Sheet, arrangements for managing the Pension Fund deficit and the property and investment portfolios mean that the Council's overall financial position remains healthy.

Capital Expenditure

For Council services the estimated payments for 2009/10 totalled £80.3 million. The actual spend was £77.8 million, giving an underspend of £2.5 million.

An analysis of the main capital projects is given in note 22 on page 52. This expenditure was financed by a combination of internal borrowing, grants, contributions and revenue. Details can be found in note 18 on page 49. No new loans were raised during 2009/10 and internal borrowing of £28.5m was used to fund the capital programme. Total loans outstanding at the end of the year were £339m (including accrued interest) and the costs of servicing debt in the year were £36.3m.

Pension Liabilities

The liability shown in connection with the defined benefit pension scheme has increased by £316.6m. Further information can be found in note 40 and the Pension Fund Accounts.

Impact of the Iceland Banks Collapse

Early in October 2008, the Icelandic banks Glitnir and Landsbanki collapsed along with the UK subsidiary Heritable. The Council had £12.5m deposited with these institutions, with varying interest rates and maturity dates.

The current position with regards to recovery of the sums deposited varies between each institution. Heritable Bank is subject to UK administration law and has made three payments totalling over £0.7m in 2009/10, a fourth payment was received in July 2010. Glitnir and Landsbanki are both subject to Icelandic administration law and the Council is awaiting court judgement on whether UK Local Authorities should be treated as a preferential creditor. No payments have been made by either bank in the meantime.

It is likely that there will be a lengthy legal process before any firm decisions are reached for these two banks. These court decisions, which are likely to be the same for both banks, will be critical to the level of funds returned to Local Authorities, with the expected level, if depositor priority status is not granted, being around 40% of total investments (based on latest available information).

The 2009/10 accounting treatment for the Icelandic banks has now been received from CIPFA. Under the treatments laid down, the total impairment for 2009/10, which the Council is required to make has been reduced to £1.5m. The Council has taken advantage of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009, which allows the Council to postpone the impact of the impairments required by accounting practice until 2010/11. The reason for the reduction in the impairment is the claim eligible period has been increased.

Notes 25 and 48 explain the accounting treatment and impairments in more detail.

Building our Future

Building our Future is a transformation programme that will affect every area of the business and every member of staff. The aim is to save the Council at least £60 million so that future service needs can be addressed, and to move the Council up to the next level of performance.

Despite a successful track record of efficiency savings, the Council faces increased service pressures - an ageing population, waste management targets and the effects of climate change being just three examples. With these and other costs increasing, and limited opportunities to increase revenue, the Council has to achieve at least £10 million year-on-year savings over the next three years to bridge a £60 million funding gap.

Savings of this scale cannot be achieved unless we make radical changes to the way we do business. This is why Building our Future was launched in November 2008 to act as a catalyst for change, and to focus on three areas:

- Customer experience - improving customer experience using Lean tools and techniques
- From planning to performing - introducing new business tools to focus resources and improve performance
- Organisation and culture - creating a more flexible workforce and a culture to match.

Since launch, the programme team has supported Council staff to achieve savings of £2.5 million in 2009/10, and the Council is on track to achieve a further £12.7 million in 2010/11.

April 2010 marked the start of a new phase for Building our Future. The focus has moved from first phase restructuring, with the loss of around 200 posts, to a fundamental review of the Council's role and future organisational shape.

The cost of first phase restructuring voluntary early retirement and redundancies in 2009/10 amounted to £4.151 million. Due to the nature of these one-off costs, this expenditure has been treated as an exceptional item within the 2009/10 accounts.

Service Summary and Performance Analysis

Using its capital and revenue resources the Council provides a wide range of services ranging from care and support for older people, people with learning disabilities and people with mental health problems, support and care for children and families, the fire and rescue service, repairing and improving roads, home to school transport, street lighting and the library service, to name a few.

We have many services that we are legally obliged to provide e.g. fire and rescue, schools, roads and social care. Using our Medium Term Financial Strategy we prioritise the use of our limited resources, focusing on specific services according to the residents' views and Council's priorities.

The use of financial resources enables the Community and Adult Care Directorate to provide support and other services to nearly 18,200 older people, around 1,800 people with learning difficulties, around 2,900 people with physical disabilities and over 1,900 people with mental health problems, as well as supporting a number of community groups. Libraries and Information is also part of the Directorate. It loans 3.3 million items a year to 3.0 million visitors.

The Children & Young People's Directorate secures or provides services direct to over 140,000 young people in Gloucestershire. The Council works hard with its partners to ensure that all Children and Young People are able to get the best possible chance of a happy, thriving childhood and adolescence, to set them up well for adult life.

The use of our resources also provides for the Environment Directorate to maintain more than 3,300 miles of roads, including 920 bridges and over 100,000 gullies to be kept clear. Considerable recovery work was undertaken during the later part of 2009/10 to repair roads damaged during severe winter weather conditions.

Our priority is to encourage everyone to reduce, reuse and recycle their household waste. Gloucestershire residents produce over 276,000 tonnes of household waste each year. The rate of growth over ten years has dropped by over half, from 3% per year to 0.6%, which is a tremendous improvement, but we need to do even better. We currently recycle about 42% of our household waste, compared to only 14% in 2003/04. Another big improvement but there is more to do to reach our long-term aspiration of over 60% recycling.

The Community Safety Directorate provides a full Fire & Rescue service which is one of the most cost effective services in the country. This service is also prioritising resources to deal with the increased risk of flooding in the county.

Gloucestershire County Council is a high performing Council and our overall performance has improved over the past year. We are currently meeting 60% of our improvement targets and last year our performance improved against 63% of our performance indicators.

Examples of our recent improvements include:

- Reducing the number of arson incidents and other fires
- Reducing the number of people who are killed and seriously injured on the County's roads
- Beating our targets to reduce the number of young people entering the Youth Justice system
- Increasing the number of vulnerable people who achieve independent living and delivering equipment and social care packages to help people live independently at home more quickly
- Reducing absence rates in secondary schools
- Improving children's attainment at key stage 1 in writing and maths
- Improving the educational attainment of Looked After Children
- Exceeding all our targets for road maintenance
- Increasing recycling and reducing the amount of waste that goes to landfill

During 2009, the Audit Commission assessed us as performing well and gave us a score of 3 out of 4 for the way we manage performance and use our resources to improve outcomes for local people. The Audit Commission highlighted Gloucestershire as a national exemplar for our work with partners on recovering from the 2007 floods, improving our resilience to future flooding and informing local people about what to do in the event of a major emergency.

The Audit Commission report also recognised our achievements in supporting carers, the high performance of our schools, reducing the number of young people not in education, employment or training, increasing recycling rates and providing Village Agents and Community Agents to help older people access essential services and support to help them live independently.

We also work effectively with partners to improve outcomes for local people. Working with our partners we have:

- Reduced the number of incidents of anti-social behaviour in the County
- Helped to reduce the number of older people who break their hip as a result of a fall
- Increased volunteering across the county
- Increased the number of schools achieving 'healthy schools' status
- Achieved one of the lowest rates in the Country of young people who are not in education, employment or training
- Provided insulation and energy efficiency measures to help vulnerable people stay warm in their homes
- Increased the number of renewable energy installations in Gloucestershire
- Increased the number of adults obtaining NVQ level 2 qualifications

We are on track to earn £5m of Government Performance Reward Grant for Gloucestershire as a result of achieving the majority of our Local Area Agreement stretch targets, agreed in 2006.

Some of our other key achievements over the last year have been:

- Gloucestershire Highways winning two top industry awards for keeping the county moving during the 2007 floods
- Being shortlisted for the national Leading the Learner Voice Awards for our work with Carers Gloucestershire
- Being one of the first councils to achieve level 4 of the Equality Standard for Local Government
- Being 'highly commended' in the Association of Local Authorities' Risk Managers annual awards
- Winning the Guardian Public Services Award for Transport and Mobility
- Securing over £600,000 of external funding for a range of schemes, including reducing flooding risk by surveying highway drainage hotspots, reducing our carbon emissions, helping carers access learning programmes and promoting good health and nutrition amongst older people.
- Achieving renewed Investors In People accreditation

International Financial Reporting Standards (IFRS)

The current financial statements are produced under accounting policies based on UK GAAP, however from 2010/11 International Financial Reporting Standards (IFRS) for Local Government will be introduced.

The adoption of IFRS will require very significant changes to the financial statements for the 2010/11 financial year. The changes will be fully retrospective and will require the financial statements to be restated for 1st April 2009 and 1st April 2010. Therefore, when preparing the 2009/10 accounts, information and disclosures to meet IFRS requirements have been gathered in readiness for the 2010/11 accounts.

Work is on-going to capture data needed to compile the accounts in accordance with the new accounting standards and the Council remains on course to implement IFRS within the required timeframe.

A handwritten signature in blue ink, appearing to read "Stephen Wood".

Stephen Wood
Group Director: Business Management and Chief Financial Officer

Statement of Accounting Policies

General Principles

The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) (referred to as “the SORP” in the following notes) and the *Accounts and Audit Regulations 2003*. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Debtors and Creditors

Transactions are recorded on an accruals basis, that is sums due to, or from, the Council in the year are included in the accounts whether or not cash has actually been received or paid in the year. 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.

Provisions

Provisions are established to cover liabilities that are known to exist at the Balance Sheet date but timings and/or amounts payable are uncertain. When a provision is recognised, service Income and Expenditure Accounts are charged with anticipated liability. Details of provisions are shown in note 32.

Provision for Bad Debts

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

Reserves

In addition to its general revenue balances, the Council has maintained specific reserves for future expenditure and to protect against unexpected events. Details are shown in note 37. Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits. These reserves do not represent usable resources to the Council, and are explained further in the appropriate accounting policies.

Government Grants and Contributions (Revenue)

Revenue grants received are credited to the Income and Expenditure Account and matched with expenditure. They are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with, and there is reasonable assurance that the grant or contribution will be received. Grants received to cover general expenditure are credited at the foot of the Income and Expenditure Account.

Retirement Benefits

The costs of pensions are accounted for in accordance with Financial Reporting Standard 17 – Retirement Benefits (FRS17). FRS17 requires the Council's financial statements to reflect, at fair value, the assets and liabilities arising from the employer's retirement benefit obligations and any related funding.

The operating costs of providing retirement benefits to employees are recognised in the accounting periods in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise. External actuaries are appointed to provide the necessary information and their assumptions and calculations are detailed in note 40.

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 Best Value Accounting Code of Practice 2009 (BVACOP). The two cost categories identified under BVACOP 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 Income and Expenditure Account.

Fixed Assets

Fixed assets are valued as recommended by CIPFA, and in accordance with the Statement of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Assets are classified into the groupings required by the code. The basis of valuation is explained in Note 19.

Impairment is caused either by a consumption of economic benefits or a general fall in prices. We have adjusted for impairment to reflect a general change in prices on our land and buildings. We have utilised indices for the calculation of impairments. Note 19 explains the assessment carried out and impact on the balance Sheet.

Upward revaluations are credited to the Revaluation Reserve. Where a downward revaluation occurs (an impairment) due to a general change in property prices, the amount is debited to the Revaluation Reserve up to the value of previously accumulated revaluation gains. Any further devaluation below depreciated historic cost is charged to the Income and Expenditure Account. If the impairment loss is similar in nature to depreciation, e.g. as a result of physical damage, all the loss is charged to the Income and Expenditure Account. The Revaluation Reserve was created with a zero balance on the 31st March 2007.

Expenditure that is not considered to add equivalent value to an asset is recognised in the Income and Expenditure Account.

In the Income and Expenditure Account, service revenue accounts are charged with depreciation on all operational assets (where appropriate) except land, i.e. all tangible fixed assets used on the delivery of services. Depreciation on non-operational assets such as surplus property is charged to unapportionable central overheads. Assets under construction do not generate a charge.

Depreciation charges and impairments do not have an effect on the amounts required to be raised from local taxation. The amounts included in the net cost of services in the Income and Expenditure Account are reversed by entries in the Capital Adjustment Account and the Statement of Movement on the General Fund Balance.

The Revaluation Reserve shows the amount of the Balance Sheet value of fixed assets that has arisen from revaluations rather than from actual historic cost. The Capital Adjustment Account contains the entries that are necessary to reflect the departures from standard practice that need to be taken into account in determining the movement on the General Fund balance.

Intangible Assets

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

Community Assets

Community Assets are those that the Council intends to hold in perpetuity, which have no determinable life and may have restrictions on their disposal. Such assets that the Council holds are country parks. These are Barrow Wake Viewpoint, Kilkenny Viewpoint, Crickley Hill Park, Coaley Peak and Coopers Hill Nature Reserve. The nature of the assets and their acquisition means that the assets have a nil valuation and do not appear on the Balance Sheet.

Depreciation

Assets, except land, are being depreciated over their useful economic lives using the straight-line method over the following periods:

<i>Buildings</i>	Permanent	up to 70 years
	Temporary	20-25 years
	Leased	period of lease
<i>Infrastructure</i>	Roads and street lighting	25 years
	Bridges	120 years
	Footpaths and footbridges	7 years
	Vehicles, plant, furniture and equipment	5 –10 years

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

Purchased Software Licences	Up to 20 years
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Basis for Redemption of Debt

The Council finances a proportion of its capital investment by raising loans. In accordance with the Local Authorities Capital Financing and Accounting Regulations 2003, as updated, the Income and Expenditure Account has been charged with an amount that is sufficient to redeem a specified statutory percentage of outstanding debt. The statutory figure is called the Minimum Revenue Provision (MRP). In accordance with the legislation the Council apply a 4% reducing balance for existing debt before 2008/09, and an asset life methodology for debt from 2008/09 whereby the charge is equal over the life of the asset (note 15).

Capital Receipts

Capital receipts from the disposal of assets are accounted for on an accruals basis where the receipt is certain. Those actually received in the year are used, where required, to finance capital payments in the year, with any remaining balance being retained as a reserve.

Deferred Charges

Deferred charges represent expenditure which may properly be capitalised but which does not result in assets controlled by the Council. In such cases, such as building grants, the expenditure is charged to revenue in the year that it is incurred and does not appear on the Balance Sheet.

Leasing

Lease rentals for vehicles and equipment used by the Council under operating leases are charged to the Income and Expenditure account since the Council does not bear the risks and rewards of owning the asset. Assets used by the Council under finance leases have been capitalised at the present value of the lease payments due, with a corresponding liability to recognise the payments due to the lessor. Assets held under finance leases are depreciated over the shorter of the lease term or its useful economic life. Information on operating lease rentals, together with details of any outstanding lease liabilities are shown in Note 6. The buildings and equipment element of the joint PFI Fire Training Centre has now been treated as a finance lease and is detailed under Note 11.

Capital Grants and Contributions

Government capital grants are credited to a Government Grants Unapplied Account. When these grants are used to finance capital expenditure they are transferred to a Government Deferred Account. Amounts are subsequently released from this account to the Income and Expenditure Account over the life of the asset, to offset any depreciation charged on the assets to which the grants relate. The result is that no depreciation charge on the grant-related element of fixed assets is included in net operating expenditure.

When the capital expenditure to which the grant relates does not result in any added asset value, and consequently any additional depreciation, or when the grant cannot be earmarked to a particular asset, the transfer from the Grants Unapplied Account is credited directly to the relevant service revenue account part of the Income and Expenditure Account. The credit is then reversed out by entries in the Capital Adjustment Account and the Statement of Movement on the General Fund Balance. Capital contributions are treated in an equivalent manner to capital grants.

Donated Assets or Asset Acquired at Less than Fair Value

These assets are brought on to the Balance Sheet and the credit recorded against Government Grants Deferred so that the assets are treated in the same way as a cash grant. This means amounts are subsequently released from this account to the Income and Expenditure Account over the life of the asset, to offset any depreciation charged on the assets to which the grants relate. The result is that no depreciation charge on the grant-related element of fixed assets is included in net operating expenditure.

Financial Instruments

All financial instruments held by the Council are reviewed in accordance with SORP 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.

Work in Progress, Stocks and Stores

All stocks recognised in the Balance Sheet are held at the lower of historical cost and net realisable value with the exception of road salt which is held at current market value. Certain stocks have not been valued (e.g. office stationery).

Externally chargeable work in progress has been valued at the current time cost incurred at the Balance Sheet date.

Investments

Investments are shown at market value.

Interest Charges

Interest payable on external borrowings and interest receivable from investments is fully accrued and accounted for in the accounts for the period to which it relates.

Private Finance Initiative (PFI) Scheme

The Council, in partnership with Avon Fire Authority and Devon and Somerset Fire Authority (formerly Somerset County Council) has invested in a PFI project to provide a Fire and Rescue Service training centre (see note 11). The Government provides some revenue support to the project in the form of grants (PFI credits), and the three authorities finance the balance by making contributions from their own resources.

Originally the annual grant was received on a sliding scale, with a disproportionate amount being received in the first nine years of the contract. In order to spread the contributions more evenly over the life of the contract an equalisation fund was operated whereby surplus government grants and Council contributions in the early years have been invested and used to reduce contributions in the later years. From 1st April 2005 a new system of grant payment was introduced where annual grant is now received in equal instalments throughout the life of the contract. The fund was reviewed during 2005/06 and it was agreed that the three authorities reduce their funding by £90,000 per annum due to the estimated surplus in the final balance.

The Council's share of this fund (25%) is included in the Balance Sheet as a reserve; the other partner's shares, Avon Fire Authority (50%) and Devon and Somerset Fire Authority (25%) are included as long-term liabilities.

The provisions included in the SORP require PFI and similar contracts to be accounted for in accordance with the government's Financial Reporting Manual (FrM). As a result of this our share of the asset has been brought onto the Balance Sheet. Details of the accounting charges are included in note 11.

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 Group Director, Business Management and Chief Financial Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The Group Director, Business Management's and Chief Financial Officer's Responsibilities

The Group Director, Business Management and Chief Financial Officer 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 SORP).

In preparing this Statement of Accounts, the Group Director, Business Management and Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority SORP.

The Group Director, Business Management and Chief Financial Officer 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 2009/10 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 2010.



Stephen Wood CPFA
Group Director: Business Management and Chief Financial Officer
22nd September 2010

The Audit Committee of the County Council approved the Statement of Accounts on 29th June 2010 and subsequent changes on 22nd September 2010


Councillor Phil McLellan, Chairperson
22nd September 2010

Independent auditor's report to Members of Gloucestershire County Council

Opinion on the accounting statements

I have audited the Council's accounting statements, the firefighters' pension fund accounting statements, and related notes of Gloucestershire County Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and the firefighters' pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Gloucestershire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Group Director, Business Management and auditor

The Group Director, Business Management's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements and local government pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Council's accounting statements and the firefighters' pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Council's accounting statements and the firefighters' pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009:

- the financial position of the Council and its income and expenditure for the year;
- the financial transactions of the firefighters' pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures

I read other information published with the Council's accounting statements, firefighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited Council's accounting statements, firefighters' pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Council's accounting statements, firefighters' pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Council's accounting statements, firefighters' pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the Council's accounting statements, firefighters' pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Council's accounting statements, firefighters' pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Council's accounting statements, firefighters' pension fund accounting statements and related notes.

Opinion

In my opinion:

- The Council's financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year then ended; and
- The firefighters' pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the firefighters' pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Opinion on the pension fund accounts

I have audited the pension fund accounts for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been

prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Gloucestershire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Group Director/Business Management and auditor

The Group Director, Business Management's responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. My responsibilities do not extend to any other information.

Basis on audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

Opinion

In my opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Council's Responsibilities

The Council 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities and fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities and fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Gloucestershire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Martin Robinson
District Auditor
Audit Commission
Westward House, Lime Kiln Close
Stoke Gifford Bristol, BS34 8SR

Gloucestershire County Council
Annual Governance Statement 2009/10

1 Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has approved and adopted a code of corporate governance, which it believes is consistent with the principles of the CIPFA/SOLACE Framework – “Delivering Good Governance in Local Government.” A copy of the code is on our website at www.goucestershire.gov.uk or can be obtained from the Chief Executive.

This Annual Governance Statement explains how the Council has complied with the code and how it meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

2 The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives, and to consider whether those objectives have led to the delivery of appropriate and cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of these risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31st March 2010 and up to the date of the approval of the accounts on the 29th June 2010.

3 The Governance Framework

The principles of the Council’s governance arrangements are focused on:

- 1 The purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.

- 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- 3 Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- 4 Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk.
- 5 Developing the capacity and capability of members and officers to be effective.
- 6 Engaging with local people and other stakeholders to ensure robust public accountability

The key processes within the Council which contribute to effective governance arrangements, and which require annual review are :-

- Performance Management and Business Planning Arrangements
- Risk Management Arrangements
- Cabinet and Lead Member Decision Making Arrangements
- Scrutiny Arrangements
- Effectiveness of the Audit and Standards Committee
- Financial Management and Reporting Arrangements
- Audit Arrangements
- Standards of Conduct of Officers and Members, including the role of the Standards Committee
- Adherence to the Law
- Partnership Arrangements
- Annual Assurance Statements from Directors
- Pension Fund

4 Review of Effectiveness of Governance Arrangements

4.1 Gloucestershire County Council

Gloucestershire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

In undertaking this review the Council has :-

- Set out the key documents and processes which incorporate its governance system and arranged for an internal audit to review the effectiveness of a sample of these.
- Sought independent assurances from external assessments where available on:
 - Performance management and Data Quality Arrangements
 - Risk Management Arrangements
 - The adequacy of the system of Internal Audit
 - Financial Control Assurance
 - Standards of Conduct and Adherence to the Law, including the functions undertaken by the Standards Committee

- Obtained detailed risk based assurance statements from all Directors relating to their areas of service responsibility, to confirm that adequate governance arrangements are in place in relation to:
 - Service Delivery
 - Key Partnerships
 - Risk Management and Internal Control
 - Performance Management
 - Financial Management
 - Adherence to Laws, Regulations, Rules and Procedures
 - Human Resources Issues
 - Management of Natural Resources
 - Asset Management
 - Information Governance

Where less than adequate assurance has been received back from any Director in relation to a key issue, this is reported later within this governance statement. Where, due to their short length of service with the Council, any permanent Director felt unable to complete the full statement, the outstanding areas were covered by another member of staff, with the statement being signed off by the appropriate Group Director.

- Reviewed, via the Audit Committee, progress on the implementation of key audit recommendations made in relation to all internal audits where an “inadequate” audit opinion was issued during the year.
- Reviewed the effectiveness of a sample of the key corporate governance processes highlighted.
- Reviewed the control and governance arrangements relating to the pension fund.

The summary findings of the review of the effectiveness of the corporate governance arrangements in place within Gloucestershire County Council and Gloucestershire Pension Fund, which was coordinated by the Head of Finance, prior to being scrutinised by all Directors, and approved by the Monitoring Officer and Chief Financial Officer, are set out below.

Wherever possible, rather than duplicate work, assurance has been sought from external assessments, as summarised below.

Governance framework – Results of an Examination of a Sample of Key Corporate Governance Processes.

A detailed internal audit of the assurance gathering process for the Annual Governance Statement was undertaken in 2009, with the final report issued in December 2009. This audit, which examined the processes followed in relation to the 2008/09 Governance Statement, concluded that the Head of Finance, in his capacity as the Chief Internal Auditor for the Council, was the appropriate officer to undertake the review of the effectiveness of the systems of internal control given his relevant experience in risk management and internal control. It also concluded that the sources of assurance that had been used as part of the review were appropriate, and in accordance with best practice guidance issued at that time. Hence the same procedures have been followed in relation to the 2009/10 Annual Governance Statement.

We can also now confirm that the processes used to formulate the 2009/10 Annual Governance Statement are consistent with the “Application note to delivering good governance in Local Government : a framework” issued by CIPFA in March 2010.

The internal audit did, however, identify a number of improvements required, the main two being: to obtain assurance from all Directors that they are not aware of any findings of maladministration upheld by the Local Government Ombudsman and clarifying the roles of the Director's Board in relation to the Annual Governance Statement. These recommendations have been addressed with all Directors having been asked about any upheld Ombudsman complaints as part of the process. The role of Directors has also been clarified, with all Directors being asked to scrutinise the draft Governance Statement before it was submitted to the Chief Financial Officer for approval.

Performance Management and Business Planning Arrangements

This area has been covered in numerous inspections in recent years, with positive comments always being made. Performance Management and Business Planning are now an integral part of working arrangements within the Council, both at officer and member level, as highlighted in the Annual Audit Letter issued in March 2009, which stated that "performance management has become part of the working culture at the Council. Scrutiny is used effectively to challenge and monitor performance such as low performing performance indicators". Such processes continue, with strategic performance reports being submitted to Cabinet and the Budget and Performance Scrutiny Committee, and performance against Business Plans being monitored by the appropriate Scrutiny Committees.

In terms of the Governance Statement for 2009/10 further key assurance has been obtained from comments in the Comprehensive Area Assessment report issued in December 2009 which, in its summary concludes that: "Overall Gloucestershire County Council performs well. The Council delivers value for money well. It manages performance well".

One key external performance measure was the annual unannounced inspection of contact, referral and assessment arrangements within The Council's children's services, undertaken in February 2010. The outcome of this review, which was reported to the Children and Young Peoples Overview and Scrutiny Committee in March 2010, was an overall satisfactory position, with a number of strengths and development points being identified. However, one area for priority action was also identified which is of sufficient significance to be included within the key governance issues arising from the annual governance review, as set out in section 5 of the statement.

Risk Management Arrangements

Risk Management arrangements are reviewed as part of the annual Use of Resources review undertaken by the Audit Commission. At the last review, reported in September 2009, the Audit Commission concluded that the Council was again performing well in this area, stating:

"The Council has strong risk management arrangements that include numerous examples of innovative and best practice. Many of these innovations have resulted in tangible financial savings that have enabled the Council to reinvest in priority areas. The Council has a clear and relevant whistle blowing and money laundering policy available to all staff on the intranet and publicised through the risk focus newsletter. A strong counter fraud culture is embedded across the Council and a zero tolerance approach to fraud".

Cabinet and Lead Member Decision Making Arrangements/Scrutiny Arrangements

The last Corporate Assessment report for the Council demonstrated generally effective procedures in relation to decision making and scrutiny arrangements within the Council.

Since this assessment there have been no major changes to these arrangements, which have also been praised in previous Annual Audit Letters, for example in the last AAL published in November 2009 the Audit Commission stated that "The Council's leadership has a vision of what it wants to achieve for its local communities and this vision is reflected in its priorities. There are positive working relationships between members, management and officers".

Financial Management and Reporting Arrangements

Financial management and reporting arrangements are also reviewed as part of the annual Use of Resources review undertaken by the Audit Commission. At the last review, reported in September 2009 they concluded that the Council was consistently above minimum requirements and performing well in this area. In relation to the management of finances the Audit Commissions overall conclusions were:

Financial Planning - The Council has effective financial planning arrangements in place that ensures strategic priorities are fully integrated into its annual and medium term budgets. The Council has a history of managing spending within budget and effectively engages with stakeholders to inform financial planning decisions.

Understanding Costs -The Council has a good understanding of its costs and how they compare with others. This information is used to inform decision making, ensuring decisions are based on complete and accurate information. The Council has focused on the need to make efficiencies, has achieved significant savings over the last few years and has plans in place to monitor their achievement in the future.

Financial Reporting - The Council has effective arrangements in place to manage its budget. Internal financial monitoring and reporting during the year is relevant, understandable and accruals based, ensuring a clear link between the budget, in-year forecasts and actual year-end position. The 2008/09 annual accounts were materially correct and produced in accordance with statutory deadlines.

During 2009/10 the regular financial monitoring reports presented to Cabinet and Scrutiny Committees highlighted the significant budget pressures in relation to the care of vulnerable children, especially in relation to the agency budget, and the care of adults. This resulted in significant overspends in these areas, albeit that they were largely offset by under spends in other areas. That said, this was a key issue which needed to be addressed, hence its inclusion in the key governance issues arising in section 5 of this statement.

Audit Arrangements

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

During 2009/10, in addition to the Annual Audit Letter, the external auditors issued reports on:

- Annual Statement of Accounts 2008/9 and Governance Arrangements
- Reducing Health Inequalities
- Joint Workforce Planning
- Triennial Review of Internal Audit
- International Financial Reporting Standards
- Waste PFI
- Systems of Internal Control
- Grant Claims

All of these reports were submitted to the Audit Committee, and the Committee was happy with the adequacy of the actions taken or proposed in relation to the issues raised.

Regarding internal audit reports, the Audit Committee have, over the last year, taken the opportunity to follow up on progress on all key audit recommendations in relation to audit reports where only limited assurance was given. They did this by requesting the attendance at their meetings of key operational officers who are asked to report on progress. This improves accountability and ensures that key recommendations are actioned to the satisfaction of the Audit Committee.

During 2009/10 four internal audit reports were issued which gave only limited assurance, in relation to the Highways and Transportation Contract, Information Security, Regulating Internet Usage, and Major Transport Contracts. In relation to the first two of these reports, the Audit Committee received evidence from appropriate operational officers that gave the committee assurance that adequate action had been taken to move the audit opinion from "inadequate" to at least "adequate".

Similar monitoring by the Audit Committee will take place regarding the other two limited assurance audit reports.

In addition to the above, internal audit followed up some partnership work undertaken with Price Waterhouse Coopers, to look at the adequacy of controls within the Council's new SAP system. At the current time, in the context of our SAP maturity, this work identified satisfactory findings in relation to the inbuilt systems controls and, as expected, also identified a number of potential access conflicts, which needed to be examined in more detail. The key outstanding area was in relation to a conflict of access rights to the SAP system. Progress on this issue was reported to the Audit Committee in April 2010, from which it was concluded that, based on new manual control systems implemented, especially in relation to vendor bank accounts, adequate controls have now been re-established.

As part of their overall plan external audit are required to review the effectiveness of internal audit. At their last triennial review, reported to the Audit Committee in January 2010, their main conclusions were:

- The internal audit service in Gloucestershire County Council meets all the current CIPFA Standards.
- The internal audit section is appropriately staffed with experienced and specialised officers and work is of a good standard.

- The section is well managed.
- We can plan to place reliance on internal audit work that is directly relevant to our Code of Audit Practice and grant claims responsibilities.

A number of minor improvement points were also identified which have now been addressed.

Standards of Conduct of Officers and Members (including the role of the Standards Committee) and adherence to the law

The Standards Committee continued to operate effectively during 2009/10. As provided in the Council's Constitution, "the purpose of the Standards Committee is to maintain high standards of probity amongst members through the provision of advice, tainting and by carrying out investigations in respect of allegations of misconduct by a member or a co-opted member". The Monitoring Officer is required to provide quarterly reports to Standards for England on the work of the Committee. Its independent chairman produced an annual report to Council of its activities for 2009/10.

In terms of compliance with the law, during 2009/10 no instances of non compliance were identified, and no councillors were found to have breached the statutory Code of Conduct for members.

In addition, no findings of maladministration were upheld by the Ombudsman against the Council. In the 2008/9 Annual Governance Statement it was also reported that no findings of maladministration were upheld by the Ombudsman against the Council. This was incorrect, since one case of maladministration was upheld, relating to a complaint made in 2004, and hence this factual inaccuracy is corrected in the statement.

Partnership Arrangements

Some assurance in relation to partnership working arrangements can be obtained from the latest Annual Audit and Inspection letter which was issued in March 2009 which stated, in relation to partnership working:

"The Council, with partners, has developed good strategic plans to improve key issues in the county.

The Council is successfully working with partners to improve its capacity and improve outcomes for local people".

No adverse comments have been made by the External Auditor during 2009/10 in relation to partnership arrangements.

Assurances from Directors

As part of this review of the effectiveness of governance arrangements during 2009/10, detailed assurance statements were sought from all Directors, to confirm that, for their areas of management responsibility, there were adequate governance arrangements in place covering the areas set out in section 4 of this statement.

Assurances were received back from all permanent Directors and/or Group Directors, covering all key service areas. Although a number of minor issues were raised by a number of Directors, the feedback received was generally very positive, with the only

issue raised which is significant enough to warrant inclusion within this statement, being the need to improve risk management arrangements relating to ICT, primarily as a result of the data quality problems experienced in relation to the integrated children's computerised system.

4.2 Gloucestershire Pension Fund

Gloucestershire County Council is the administering body for the Gloucestershire Pension Fund.

Internal Audit reviewed the controls in place for the three main areas of Governance, Pension administration and Investment management.

Based on this work Internal Audit have concluded that adequate assurance has been obtained that the controls are operating satisfactorily.

Governance

Internal Audit examined the various reports, policies and statements, which are published on the Council website, namely the annual report, statement of investment principles, funding strategy statement, communications policy statement, governance policy statement, governance compliance statement and the actuarial valuation report. Audit gained full assurance from these checks.

New legislation required Administering Authorities to publish a Governance Compliance Statement by November 2008. The statement identifies the level of compliance against best practice principles and is reviewed annually.

With the exception of the fact that not all stakeholders are represented within the committee structure and an absence of justification for not extending voting rights to each body represented on main LGPS committee, the Council is fully compliant. The reason that not all stakeholders are represented within the committee is given as 'concern over the logistics and potential size of the committee'. We understand that this will be kept under review.

External Fund Managers

Audit has examined the latest published accounts and the latest internal control statements of all fund managers.

On 1st December 2009 Barclays Global Investors (BGI) merged with Blackrock, therefore we have examined the published accounts for the newly merged group, as at 31 December 2009 and the internal control statement, SAS70 for BGI as at 30th September 2009. None of the external auditor opinion statements were qualified.

Performance Monitoring

The fund managers report on their performance to the Pensions Committee. In addition the custodians measure the performance against the agreed benchmarks and report to the committee. The Council have also engaged a specialist company who independently measure the performance of the funds.

During 2009/10 the Council commissioned Mercer Sentinel, an independent group, to review its investment operations, including the performance of the Fund's global custodian in administering and safekeeping assets, and the facilitation of cash management and the execution of Foreign Exchange trading. They produced a report of their findings in February 2010. Two recommendations for further action were made, but no significant issues appear to have been identified.

The pension committee also receives advice on the financial markets, the strategic asset allocation and fund management from an independent advisor.

Internal Audit has concluded that these arrangements are adequate and effective.

Management of Funds Risks & Controls

The major risks to the Council arising from the management of the pension fund have been identified and included in the Corporate Risk Register. This is regularly reviewed, although as at April 2010 no changes had been made. The major risks identified are

1. Increasing Pension Fund Deficit
2. Market Value of Fund Fallen
3. Increases in Employer's Contributions

Internal Audit are satisfied that the key documents required to mitigate these risks namely the Actuarial Review – triennial valuation and the Fund Strategy Statement are in place, and are reviewed on a regular basis.

Pension Fund Administration

Changes to the Local Government pension regulations affecting both the rules relating to final pensions and the introduction of banding of contribution rates, combined with the relatively new payroll system, have resulted in significant challenges for the pension fund administrators.

The data matching exercise, which compares pension and payroll records to ensure the absence of ghost pensioners and incorrect pensions payments had lapsed, following the implementation of SAP. New reports have now been developed and are now being run for the Council, Fire and Police pensions.

In the past difficulties have arisen where employers, who run their own payroll, have failed to update the Pensions Administration Team on changes to members contracts (hours and grades), this impacts both on the ability to calculate the individual's pension and the accuracy of the triennial actuarial valuation.

An Administration Strategy for the Pension Fund was approved by the Pensions Committee in May 2010, which once adopted will help to stop this by enabling the Fund to charge employers for additional costs incurred by the Fund as a result of such failures.

The system developed to validate that the correct contributions are deducted for all employees, comparing pay with deductions, for all employers who do not use the Council SAP payroll system, continues to be used successfully. However the report being developed to validate SAP payroll contributions is still outstanding. It is important to ensure that this control is implemented, as soon as possible.

5 Significant Governance Issues Arising

As a result of the review of governance arrangements outlined above, the following governance issues have been identified, which will be addressed as shown.

- 1 Taking action to address the underlying overspend position at the end of 2009/10, in relation to agency placements for Children in Care, emanating from the huge rise in the numbers of children coming into the care of Gloucestershire County Council.

Action taken/Proposed

1.1 The Council has invested over £7.5 million, as part of the 2010/11 budget, for the care of vulnerable children, as follows:

- Additional Social Workers to reduce high caseloads £1.27 million
- Agency Placement Budget increase £4.18 million
- Additional legal fees relation to the protection of children £0.44 million
- Additional provision to care for homeless children £0.75 million
- Contingency for vulnerable children £1.00 million

1.2 During the latter part of 2009/10 a detailed internal audit was undertaken in relation to the agency placements budget. This audit, which will be reported on to the Audit Committee, concluded that:

"Very significant enhancements have been made to the control environment in this area, particularly over the last six months of 2009/10.

Although, given the huge increase in the numbers of looked after children one must question why some of these enhancements were not implemented earlier, they are nevertheless welcome and necessary in terms of the effectiveness of the control environment in the future. This is particularly the case in terms of the improved commissioning, monitoring, challenge and budgetary control processes set out in this report, which gives an adequate degree of assurance going forward".

2 Taking action to address the following priority point raised following the annual unannounced inspection of contact, referral and assessment arrangements within Gloucestershire County Council's children's services: "Some assessments of risk are of poor quality resulting in children and young people being left vulnerable to significant harm. Some contacts and cases are closed without consideration of all relevant risk and protective factors including historical information".

Action taken/Proposed

2.1 To improve the quality of assessments by Social Workers and the quality of Team Manager's decisions when closing cases:

- Mandatory training has been provided for all social workers and team managers to look at analysis, assessment of risk and child centred practice
- Referral and assessment team managers now record detailed reasons behind decisions to close cases, and attend new regional action learning workshops

3 Taking action to address the underlying overspend position at the end of 2009/10, running into 2010/11, in relation to the care of older people and adults with learning and/or physical disabilities.

Action taken/Proposed

a The Council has invested over £7 million, as part of the 2010/11 budget, for the care of vulnerable adults. However a budget problem still exists, which needs urgent attention during the year.

- b To undertake an urgent review of the factors contributing to the current budget problem, with particular reference to examining the adequacy and effectiveness of:
 - The assessment and panel processes in relation to potential new clients
 - Regular review processes for existing clients
 - Financial monitoring and reporting
 - Data quality processes
 - Demography forecasts
 - Commissioning arrangements.
- c To establish a dedicated review team, with appropriate support, tasked to critically examine all higher cost care packages in accordance with eligibility criteria, and, working with other operational colleagues, implementing care package changes, based on minimum care criteria, so as to ensure value for money.
- d To undertake a challenging review of adult care commissioning arrangements, with particular reference to examining the possibility of re-negotiating current contract rates, and examining the effectiveness of the systems in place to ensure the effective use of block contracts.

4 Ensuring that appropriate action is taken to implement key recommendations made by Internal and External Audit.

Action taken/Proposed

- 4.1 All internal audits where a limited assurance opinion is given are reported to the Audit Committee and management are required to attend the next meeting of the Committee to update it on the actions taken in relation to the recommendations made, which must be sufficient to at least change the audit opinion to adequate. As detailed earlier in this statement, only two limited assurance opinions remained outstanding at the yearend relating to major transport contracts and internet usage monitoring. These will be the subject of reports back to the next meeting of the Audit Committee.
- 4.2 The recommendations made by Internal Audit in relation to the formulation of the 2008/09 Annual Governance Statement have been implemented in relation to the 2009/10 statement.
- 4.3 All significant recommendations made by External Audit during 2009/10 were implemented, and the key risk areas identified in the Audit Opinion Plan report, presented to the Audit Committee in April 2010, have been addressed.

- 5 Ensuring that appropriate action is taken to address the data quality issues relating to the integrated children's computerised system (ICS).

Action taken/Proposed

There has been a significant amount of work undertaken to address problems with the ICS system as well as wider data quality issues, and investigatory work is being undertaken around procuring an alternative ICS solution.

- 6 There are no other significant governance issues that need to be highlighted in this statement.

Mark Hawthorne
Leader

Peter Bungard
Chief Executive

Stephen Wood
Group Director/Chief Financial Officer

Income and Expenditure Account 2009/10

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Restated		2009/10		
	2008/09	Gross	Income	Net
	Expenditure £'000	Expenditure £'000	£'000	Expenditure £'000
93,440	Children's & Education Services (See Note 1)	593,643	-478,667	114,976
128,390	Adult Social Care	247,985	-106,268	141,717
47,221	Highways, Roads & Transport	63,432	-15,859	47,573
18,886	Fire & Rescue	20,446	-1,453	18,993
	Cultural, Environmental & Planning			
39,649	Services	46,061	-6,345	39,716
1,042	Court Services	1,149	-168	981
124	Housing Services	411	-289	122
	Central Services			
1,144	Central services to the public	2,389	-1,284	1,105
7,738	Corporate & democratic core	8,510	-621	7,889
7,014	Unapportionable central overheads	7,974	-185	7,789
-7,023	Other central costs	5,203	-4,625	578
	Exceptional Items not included in			
	Service Costs			
<u>337,625</u>	Net Cost of services	<u>4,151</u>	<u>-</u>	<u>4,151</u>
		<u>1,001,354</u>	<u>-615,764</u>	<u>385,590</u>
272	Flood defence levies	271	-	271
-1,632	Gain (-)/Loss on Disposal of Fixed Assets	1,146	-	1,146
19,918	Interest Payable	18,664	-	18,664
	Gains(-)/Losses on Repurchases/Early Settlement of debt			
-1,632	Settlement of debt	104	-	104
-11,337	Interest & Investment Income	-	-1,294	-1,294
1,706	Impairment on Investments	-	-330	-330
	Pensions Interest Cost and Expected			
23,676	Return on Pension Assets	33,624	-	33,624
<u>368,596</u>	Net Operating Expenditure	<u>1,055,163</u>	<u>-617,388</u>	<u>437,775</u>
-1,736	Income From the Collection Fund			-1,465
-226,228	Precepts on District Councils			-234,487
-25,762	Area Based Grant			-26,659
	Government Grants not Attributable to			
-13,277	Specific Services			-21,119
	Distribution From Non-Domestic Rate			
-95,377	Pool			-91,498
<u>6,216</u>	Surplus (-)/ Deficit for the year	<u>62,547</u>		

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- The General Fund Balance shows whether the Council are over or under-spent against the council tax that is raised for the year, taking into account the use or reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and General Fund Balance.

Restated		2009/10	
2008/09		Notes	£'000
£'000			
6,216	Surplus (-)/Deficit for the year on the Income & Expenditure		62,547
-447	Net additional amount required by statute and non-statutory practices to be debited or credited to the General Fund Balance for the year	13	-53,621
<hr/>			<hr/>
5,769			8,926
-26,445	General Fund Balance brought forward		-20,676
<hr/>			<hr/>
-20,676	General Fund Balance carried forward		-11,750
<hr/>			*
3,497	Committed General Fund Balance	37	-2,270
<hr/>			
-17,179	Amount of General Fund Balance Generally available for new expenditure	37	-14,020

* The General Fund Balance Reported excludes those revenue balances held under delegated schemes for schools totalling £26.5m as shown in Note 37.

Statement of Total Recognised Gains and Losses

This Statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Restated		2009/10
2008/09		£'000
	Notes	£'000
6,216	Surplus(-)/Deficit on the Income & Expenditure Account for the year	62,547
-51,738	Surplus(-)/Deficit arising on revaluation of fixed assets	3,344
76,910	Actuarial gains (-) and losses on pension fund assets and liabilities	40 302,072
54	Surplus (-) / Deficit arising on revaluation of available for sale financial assets	-210
	Transfer of Services	37,634
31,442	Total recognised gains(-) and losses for the year	37 405,387

The 2008/09 figures have been restated for changes in accounting policy introduced in the 2009 SORP resulting in the early adoption of IFRIC 12, together with changes in accounting treatment of council tax collection fund and National Non-Domestic Rates (NNDR).

Balance Sheet

Restated		Notes	£'000	2009/10
2008/09	£'000			£'000
476	Intangible assets	16		411
	Tangible fixed assets			
	Operational assets			
569,789	Land & Buildings	17	526,882	
13,406	Vehicles, plant, furniture & equipment	17	15,306	
284,258	Infrastructure assets	17	300,158	
-	Community assets			-
	Non-operational assets			
42,277	Assets under construction		26,244	
13,219	Surplus assets, held for disposal	17	16,655	42,899
923,425				885,656
11,195	Long-term investment			8,912
78	Long-term debtors			76
934,698	Total long-term assets			894,644
	Current assets			
668	Stocks and work in progress		856	
-	Landfill Allowance Trading Scheme	26	1,822	
37,353	Debtors	27	42,048	
4,893	Payments in advance		6,481	
165,277	Short-term investments		95,110	
10,499	Net cash in hand		7,089	153,406
1,153,388	Total assets			1,048,050
	Current liabilities			
-9,435	Borrowing and other liabilities repayable on demand or within 12 months	11 & 31	-6,307	
-75,945	Creditors		-78,347	
-	Landfill Allowance Trading Scheme	26	-1,793	
-8,307	Receipts in advance		-11,300	
-17,755	Government grant unapplied	34	-17,472	-115,219
1,041,946	Total assets less current liabilities			932,831
	Long-term borrowing and other liabilities	11 & 31		-334,645
-5,796	Provisions	32		-5,363
-2,543	Deferred liabilities	30		-2,634
-21,597	Capital contributions unapplied	33		-22,393
-91,281	Government grants deferred account	36		-109,260
-36,873	Capital contributions deferred account	35		-38,936
-440,212	Liability related to defined benefit pension schemes	40		-756,854
68,133	Total assets less liabilities			-337,254

Restated					2009/10
2008/09					£'000
			Notes		£'000
Reserves					
299,045	Capital Adjustment Account		38		209,193
-5,988	Financial Instruments Adjustment Account		25		-5,613
2,132	Collection Fund Adjustment Account				2,202
-203	Available for sale revaluation reserve				7
109,713	Fixed Assets Revaluation Reserve	37,39a			113,225
-440,212	Pensions reserve	40			-756,854
-	Usable capital receipts reserve	37,39			69
20,676	General Fund Balance				11,750
<u>82,970</u>	Earmarked Reserves	37			<u>88,767</u>
<u>68,133</u>	Total Reserves				<u>-337,254</u>

Cash Flow Statement

2008/09 £'000	Notes	2009/10 £'000	£'000
Revenue activities			
<i>Cash outflows</i>			
494,609		Cash paid to and on behalf of employees	504,121
<u>432,995</u>		Other operating costs	<u>456,576</u>
<u>927,604</u>			<u>960,697</u>
<i>Cash inflows</i>			
-227,169		Precept income	-235,883
-95,719		Non-domestic rate income	-91,498
-38,697		Revenue support grant	-47,778
-458,131	45	Other government grants	<u>-477,456</u>
-77,609		Cash received for goods and services	-67,967
<u>-57,200</u>		Other operating income	<u>-72,418</u>
-26,921	41		-32,303
Returns on investments and servicing of finance			
<i>Cash outflows</i>			
19,768		Interest and premiums paid	18,664
<u>-11,337</u>		<i>Cash inflows</i>	<u>-1,624</u>
-18,490	41	Interest and discounts received	<u>17,040</u>
			<u>-15,263</u>
Capital activities			
<i>Cash outflows</i>			
100,333		Purchase of fixed assets	80,322
<i>Cash inflows</i>			
-3,543		Sale of fixed assets	-2,915
-51,768	45	Capital grants received – government	<u>-25,289</u>
-		Capital grants received – other	-
<u>-13,082</u>		Capital contributions received	<u>-4,896</u>
13,450		<i>Net cash inflow(-)/outflow before financing</i>	<u>47,222</u>
			<u>31,959</u>
Management of liquid resources			
13,256	42	Increase/decrease (-) in short-term deposits	<u>-70,166</u>
-	42	Increase/decrease (-) in other deposits	<u>-</u>
			<u>-70,166</u>
Financing			
<i>Cash outflows</i>			
6,864	42	Repayments of amounts borrowed	43,994
<i>Cash inflows</i>			
-24,834	42	New loans raised	-
-192	42	Deferred liability	-91
-15,185	42	Long term Investment Realised	<u>-2,283</u>
-12	42	Repayment of loans made to other bodies	<u>-3</u>
<u>-6,653</u>		<i>Increase(-)/decrease in cash</i>	<u>41,617</u>
			<u>3,410</u>

Notes to the Accounts

1 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education. The Dedicated Schools Grant (DSG) is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the Schools Finance (England) Regulations 2008. As well as individual schools budgets, the Schools Budget includes elements for a restricted range of services provided on an Council-wide basis including, Education of Children Under 5, SEN, Education out of school. The Council is able to supplement the Schools Budget from its own resource; Gloucestershire County Council has not exercised this option.

Details of the deployment of DSG receivable for 2009/10 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2009/10	47,804	267,362	315,166
Bought forward from 2008/09	2,274	-	2,274
Carry forward to 2010/11 agreed in advance	-409	-	-409
Agreed budgeted distribution in 2009/10	49,669	267,362	317,031
Actual central expenditure	-48,949	-	-48,949
Actual ISB deployed to schools	-	-267,362	-267,362
Local Council contribution for 2009/10	-	-	-
Additional carry forward to 2010/11	720	-	720

2 Publicity

An analysis of all expenditure and promotional advertising is provided below:

	2008/09 £'000	2009/10 £'000
Staff recruitment advertising	1,693	1,227
Public relations, communications and tourism officers	525	481
Publications, marketing and promotion	1,567	1,404
	<u>3,785</u>	<u>3,112</u>

3 Member's Allowances

The Council is required to report the total allowances paid to members of the Council. These comprise of basic allowances and special responsibility allowances. In 2009/10 this amounted to £807,176, compared with £817,696 in 2008/09.

4 Summary of Staff Remuneration

The Council is required, under Regulation 7(2) of the Accounts and Audit Regulations 2003, to report the number of employees whose remuneration, taxable expenses and severance (if applicable) exceeded £50,000, analysed into bands of £5,000. Employer's Pension contributions have been excluded.

Remuneration band	Total Number of Employees			
	Schools	Non Schools	Schools	Non Schools
£50,000 - £54,999	107	58	138	58
£55,000 - £59,999	73	32	68	40
£60,000 - £64,999	30	19	34	18
£65,000 - £69,999	10	15	19	12
£70,000 - £74,999	12	2	12	7
£75,000 - £79,999	10	2	10	3
£80,000 - £84,999	6	2	8	1
£85,000 - £89,999	4	2	3	1
£90,000 - £94,999	4	5	4	2
£95,000 - £99,999	1	2	-	5
£100,000 - £104,999	3	-	1	-
£105,000 - £109,999	-	-	1	1
£110,000 - £114,999	-	-	2	-
£115,000 - £119,999	-	1	-	-
£120,000 - £124,999	-	2	-	1
£125,000 - £129,999	-	2	-	2
£130,000 - £134,999	-	-	-	1
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£150,000 - £154,999	-	-	-	-
£155,000 - £159,999	-	-	-	-
£160,000 - £164,999	-	-	-	-
£165,000 - £169,999	-	1	-	1
Total	260	145	300	153

4a Senior employees whose salary is £150,000 or more, per year, or an employee whose salary is £50,000 or more, per year and is a Senior Officer

Post Title	Post Holder	Salary (incl employee pension contributions)	Expense Allowances	Benefits in Kind	Total Remuneration excluding E'ers pension contributions	Employer's Pension Contributions	Total Remuneration including E'ers pension contributions
		£	£	£	£	£	£
Deputy Chief Executive	Note 1	77,454	472		77,926	16,188	94,114
Assistant Chief Executive		92,814	602		93,416	19,398	112,814
Group Director – Community & Adult Care		100,163	5,200		105,363	20,934	126,297
Group Director - Environment		120,150	428		120,578	25,110	145,688
Group Director – Business Management		124,618	584		125,202	26,045	151,247
Group Director – Community Safety		126,855	682	1,415	128,952	23,461	152,413
Group Director – CYP		129,090	984		130,074	26,980	157,054
Chief Executive	P Bungard	161,993	3,425		165,418	33,698	199,116
Total		<u>933,137</u>	<u>12,377</u>	<u>1,415</u>	<u>946,929</u>	<u>191,814</u>	<u>1,138,743</u>

Note 1: The Deputy Chief Executive works 22.2 hours per week. The whole time equivalent salary is £129,090 per year

5 Local Authorities (Goods & Services) Act 1970

The Council is empowered by this Act to supply goods and services to other public bodies, including other local authorities, health bodies, charities, and voluntary organisations. The majority of this income and expenditure relates to the provision of administrative, professional and technical assistance by the Support Services.

	2008/09 £'000	2009/10 £'000
Police	418	380
Probation	29	140
Crown Courts	164	195
Learning & Skills Council	4	-
Further Education	70	100
Health Trusts	277	242
Other Local Authorities	304	217
Other	53	181
	<u>1,319</u>	<u>1,455</u>

6 Leases

The Council holds vehicles under operating leases and lease rentals paid during the year were:

	2008/09 £'000	2009/10 £'000
Operating leases and lease rentals	426	418

These leases relate to vehicles acquired and funded as part of previous years' capital programmes. They do not include vehicles under lease or contract hire acquired by individual establishments and funded from their revenue budgets. The amounts involved are not material.

The Council is committed to make the following rental payments in respect of operating leases during the next year (2010/11), analysed over the period of years in which the commitment expires. All the leases relate to vehicles and equipment in use with the Fire and Rescue Service.

Expiry	£'000
2010/11	6
2011/12	-
2012/13 and beyond	412
	<u>418</u>

7 Related Party Transactions

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 any transaction allows a view to be taken on 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 body or individual's ability to bargain freely with the Council.

In 2009/10 the Council provided funding for 63 police officers for Gloucestershire Police Authority at a cost of £2.06m, which is contained within Cultural, Environment and Planning Services. The Council also supplied £360,000 support services to the Police Authority in 2009/10 (£299,000 in 2008/09). This amount is included within the total shown in Note 5.

There is a contractual arrangement between the Council and Gloucestershire Care Partnership for the provision of places in care homes for older people, which involves sub-letting this to Order of St John's and Bedford Pilgrims Housing Association. In 2009/10 payments of £15.5m (£13.8m in 2008/09) were made to Order of St John's in relation to this contract.

There is a contractual arrangement between the Council and the Brandon Trust for the provision of Learning Disabilities Services. In 2009/10 payments of £11.1m (£10.8m in 2008/09) were made to the Brandon Trust, of this £7.2m (£7.1m in 2008/09) was funded by Glos PCT under a Section 75 agreement (formally referred to as Section 31 agreement) and a further £0.5m was collected as client contributions (£0.5m in 2008/09), leaving £3.4m (£3.1m in 2008/09) as the Council contribution.

The Pension Fund's "in-house" surplus cash balances are held in the Council's bank accounts and any payments to/from the Pension Fund go through these accounts. This cash forms part of the Council's daily treasury management's dealings. An average balance of £9.2m (£12.7m in 2008/09) was deposited with the Council during the year and £0.35m interest on these deposits (£0.4m in 2008/09) was paid to the Pension Fund. The Council charged £1.69m (£1.38m in 2008/09) for administering the Pension Fund. From 1st April 2010 the Pension Fund will have a separate bank account following the release of new regulations: The Local Government Pension Scheme (Management and Investment of Funds) regulations 2009, which came into force on 1st January 2010. Transition arrangements apply until 31st March 2010 allowing the Council to continue to deposit the Pension Fund balances with Council surplus cash until that date, with the Local Authority 7 day rate being paid to the Pension Fund on balances held.

The amount in the Balance Sheet for debtors includes £2.238m due from the Government and creditors includes £0.342m due to the Government as well as £8.245m Receipts in Advance in respect of grants.

8 Audit Fees

Breakdown of Audit Commission fees as follows:

	2008/09 £'000	2009/10 £'000
Certificate of Grant Claims and Returns	9	16
Statutory Inspection	15	17
Other (including Statement of Accounts)	223	228
Advice & Assistance / Other	5	28
	252	289

9 Partnership Arrangements Under Section 75 of the NHS Act 2006

This legislation enables health bodies and health-related local 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.

Section 31 has now been repealed and replaced by Section 75 of the NHS Act 2006, which has consolidated NHS legislation. The new provision is on exactly the same terms and existing Section 31 arrangements will continue as if made under the new powers.

The Council is involved with four such partnerships between Adult Social Care and health agencies as detailed below:-

- *Provision of mental health services with '2gether' NHS Foundation Trust (formerly Gloucestershire Partnership NHS Trust (integrated budget))*
In 2009/10 the gross expenditure of the partnership was £6.5m (£5.5m in 2008/09), gross income was £1.3m (£1.2m in 2008/09) and the Council's contribution was £5.2m (£4.3m in 2008/09)
- *Provision of social care occupational therapy (Integrated Budget) – managed by Gloucestershire Primary Care Trust*
In 2009/10 the gross expenditure of the partnership was £3.1m (£3.0m in 2008/09), gross income was £0.4m (£0.3m in 2008/09) and the Council's contribution was £2.7m (£2.7m in 2008/09)
- *Provision of a community equipment service with Gloucestershire Primary Care Trust (Pooled Budget)*
In 2009/10 the gross expenditure of the partnership was £3.0m (£3.2m in 2008/09), gross income was nil (nil in 2008/09) and the Council's contribution was £1.1m (£1.2m in 2008/09)
- *Commissioning of Learning Disability Services agreement with Gloucestershire Primary Care Trust (Pooled Budget)*
In 2009/10 the gross expenditure of the partnership was £11.1m (£10.8m in 2008/09), gross income was £0.5m (£0.5m in 2008/09) and the Council's contribution was £3.4m (£3.2m in 2008/09)

As last year, the Council has treated the income and expenditure related to these pooled budgets as Joint Arrangements that are "Not an Entity" and in accordance with the principles of FRS9 has applied a proportional consolidation split to assets, liabilities and income and expenditure relating to the partnership arrangement with the PCT.

10 Discretionary Expenditure

Section 137 of the Local Government Act 1972, as amended empowers local authorities to make contributions to certain charitable funds, not-for profit bodies providing a public service in the United Kingdom. The Council's expenditure under this power was £141,000 in 2009/10, the same as in 2008/09.

11 Undischarged Obligations, Private Finance Initiative (PFI) Scheme

In a joint PFI venture Gloucestershire County Council, Avon Fire Authority and Devon & Somerset Fire Authority now receive a significant element of their fire training from VT Fire Training (Avonmouth) Ltd, a company contracted to provide the training until 31st March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates (DBFO) under the PFI contract. The Council is committed to paying £600,000 a year as a unitary charge over the next 19 years, which is 25% of the annual contract payments.

The SORP includes changes to the accounting treatment for PFI from 2009/10, bringing the asset and liability onto the Balance Sheet.

Under the new requirements the unitary charge is split between the 'fair value' services provided and repayment of the construction of the building. The services element is charged to revenue, whilst the construction element is treated as though it were the subject of a finance lease agreement with the cost of the asset being recognised together with a matching lease liability.

A schedule has been produced which shows the original value of the building and the split of the unitary charge as outlined above covering the 25 year period of the PFI contract from 2003/04 to 2027/28. The fair value of the asset (build cost of the training centre) as at 1st April 2003 was £9.758m. The Council and our two partners have no residual interest in the building so over the 25 years the value of the asset and the matching liability are written down to a nil value. The adjustments in the 2009/10 Statement of Accounts are shown below and represent the Council's 25% share in the project.

Written down values as at 31 st March 2009	£,000
Asset	1,963
Lease liability	-1,963

Treatment in 2009/10 Income & Expenditure Account

Contingent rent	28
Interest element of lease payment	148
Write down of lease liability	21
Fair value of training services	408
Government grant	-447
New cost of training included in the unitary charge	158

The additional accounting entries required during any year will not affect our overall revenue balances, or the level of Council Tax.

12 Reconciliation of the Deficit for the year on the Income Expenditure Account to the Surplus for the Year on the General Fund

The surplus for the year on the General Fund was £53.6 million greater than the Income and Expenditure Account result. This is explained as follows:

The Income and Expenditure Account discloses the income received and expenditure incurred in operating the Council's services for the year and is equivalent to the Profit and Loss Account of a business. Income and expenditure and the resulting surplus or deficit for the year are measured, using essentially the same accounting conventions that most large UK businesses are required to use in preparing their audited annual financial statements. Accountants refer to such accounting conventions as UK Generally Accepted Accounting Practices (UK GAAP). The UK GAAP based approach is codified in the Code of Practice on Local Authority Accounting (known as SORP), which local authorities are required by statute to observe when preparing their annual statement of accounts.

However, the items that the Council is required to credit and debit to its General Fund when determining the surplus or deficit on its General Fund, are laid down in statute and non-statutory 'proper practices' rather than being UK GAAP based. While the amounts included in the Income and Expenditure Account and in the General Fund are largely the same, there are a number of differences. For example, the charge for the depreciation of fixed assets must be charged to the Income and Expenditure Account in accordance with the SORP but depreciation must be excluded from the General Fund in accordance with the statute.

The surplus or deficit on the Income and Expenditure Account is the best measure of the Council's operating financial performance for the year. However, the surplus or deficit on the General Fund is also important since it indicates whether the Council added to or drew on its General Fund Balances during the year. This in turn affects the amount of the General Fund Balance that the Council can take into account when determining its spending plans on Council Tax financed services for the following year and in determining the Council's decision about the amount of Council Tax income it should budget to raise from its Council Tax payers.

The table in Note 13 gives a detailed breakdown of the differences between the income and expenditure included in the Council's Income and Expenditure Account in accordance with the SORP, and the amounts that statute and non-statutory proper practice required the Council to debit and credit to the General Fund Balance.

13 Analysis of additional items required by statute and non-statutory proper practice to be taken into account in determining the general fund surplus or deficit for that year.

	Notes	£'000	£'000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the General Fund surplus or deficit for the year			
Depreciation, amortisation and impairment of fixed assets	19	-65,673	
Government Grants Deferred amortisation matching depreciation and impairments	35 & 36	5,051	
Write downs of deferred charges to be financed from capital resources	38	-328	
Net gain or loss(-) on sale of fixed assets		-1,146	
Impairment of Investments		330	
Amount by which pension costs calculated in accordance with the SORP (i.e. in accordance with FRS17) are different to the contributions due under the pension scheme regulations	40	-14,569	
(Gains)/Losses on repurchases/early settlement of debt		-104	
Amount by which the Council's Tax income and residual community charge adjustment included within the Income and Expenditure Account is different from the amount taken to the general fund in accordance with regulation		69	
Non earmarked grants and contributions		-	-76,370
Amount not included in the Income and Expenditure Account but required to be included by statute when determining the Movement of the General Fund Balance for the year			
Write down of Deferred premiums/Discounts		150	
Statutory provision for the repayment of debt	15	15,261	
Repayment of debt related to the Fire PFI Scheme		21	
Capital expenditure charged to the General Fund Balance	38	<u>1,521</u>	
		<u>16,953</u>	
		<u>-59,417</u>	

	Notes	£'000	£'000
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year			
Net Transfer to or from earmarked reserves	14		5,796
Amount by which the surplus on the General Fund for the year was greater than the income and Expenditure Account result for the year			
			<u>-53,621</u>

14 Contribution to Earmarked Reserves

	£'000	£'000
Waste PFI smoothing Reserve	1,000	
Impairment Reserve	7,300	
BoF Transformation Reserve (net)	3,849	
Winter Maintenance of Roads (net)	750	
Increase in unspent balances permitted to be carried forward under delegated schemes	2,400	
	15,299	
Transfer to/(from) Insurance Fund (net)	-966	
Transfer to/(from) capital fund (net)	-1,576	
Supporting People Reserve (net)	-1,627	
Invest to Save Reserve (net)	-1,166	
Unspent dedicated School Grant carried forward	-1,145	
Corporate Initiative Reserve (net)	-933	
Transfer to other reserves (net)	<u>-2,090</u>	
	<u>9,503</u>	
	<u>5,796</u>	

A detailed breakdown of the movement in reserves can be found in note 37

15 Minimum Revenue Provision (MRP)

The Council is required by statute to set aside a minimum revenue provision for the redemption of external debt

	2008/09 £'000	2009/10 £'000
Minimum Revenue Provision (MRP)	14,379	15,261

16 Intangible Assets

These are purchased software licenses and are amortised over an estimated life of 10 years.

	2008/09 £'000	2009/10 £'000
Balance as at 1 st April	541	476
Expenditure in year	-	-
	<u>541</u>	<u>476</u>
Amortised Amount charged to Income and Expenditure Account	-65	-65
Net Book Value	<u>476</u>	<u>411</u>

17 Movement in Fixed Assets during the Year

	Land & Buildings £'000	Vehicles & Equipment £'000	Infra-structure £'000	Non-operational £'000	Total £'000
Net book value 1st April 2009 (Restated)	<u>569,789</u>	<u>13,406</u>	<u>284,258</u>	<u>55,496</u>	<u>922,949</u>
<i>Gross book value 1st April 2009</i>	646,766	25,996	408,093	55,803	1,136,658
Additions	51,724	4,920	31,483	643	88,770
Disposals	-58,264	-610	-1	-5	-58,880
Revaluations	30,618	-	-	2,870	33,488
Impairments	-60,707	-	-	-	-60,707
Non Value Added Transfers between categories	-	-	-	-2,929	-2,929
Assets under construction	-	-	-	-13,104	-13,104
Gross book value 31st March 2010	<u>610,137</u>	<u>30,306</u>	<u>439,575</u>	<u>43,278</u>	<u>1,123,296</u>
<i>Accumulated depreciation 1st April 2009</i>	76,977	12,589	123,835	307	213,708
Depreciation for year	6,784	2,973	15,582	72	25,411
Depreciation on disposals	-506	-562	-	-	-1,068
Accum. depreciation 31st March 2010	<u>83,255</u>	<u>15,000</u>	<u>139,417</u>	<u>379</u>	<u>238,051</u>
Net book value 31st March 2010	<u>526,882</u>	<u>15,306</u>	<u>300,158</u>	<u>42,899</u>	<u>885,245</u>

18 Summary of Capital Expenditure and Method of Finance

	£'000		£'000
New assets	88,744	Internal Borrowing	28,521
Non Value Added	5,999	MRP	15,261
Deferred charges	1,677	Capital Receipts	2,846
Assets Under Construction	-13,104	Capital Reserve	-
Assets not funded through Capital Programme	-5,495	Grants	25,572
		Contributions	4,100
		Revenue	1,521
	<u>77,821</u>		<u>77,821</u>

19 Fixed Asset Valuation

- Land & Property - The Code requires all land and property formally to be revalued at least every five years. The latest five –year rolling programme of revaluations began on 1st April 2005 and this year the district council area covered was Gloucester and all Rural Estates

Operational land and property is included in the Balance Sheet on the basis of existing use value or, where this cannot be assessed because there is no market, depreciated replacement cost

Non operational land and property is included on the basis of market value except assets under construction which are included on the basis of capital expenditure incurred by 31st March 2010. The valuations have been undertaken by qualified valuers employed within Asset Management & Property Services in the Business Management Directorate of the Council.

- Temporary buildings are included at historical cost and are being depreciated over their expected life
- 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 are being depreciated over their 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 on infrastructure

Qualification of Impairment Valuation

The asset valuations are valued in accordance with the RICS Valuation Standards (the Red Book) on a five yearly cycle with one of the six district council areas being valued each year (two of the districts are doubled up so that all six are valued over the five year cycle.

The majority of the Council's non-rural property portfolio is made up of operational properties, most of which are specialised and therefore valued according to the RICS Red Book requirements using Depreciated Replacement Cost method. However, as with the Market Value method, these still have a land element which will be assessed on market value as opposed to cost and therefore affected by the economic downturn.

Analysis has been undertaken to assess the impact of the economic downturn. Using appropriate property indices on cost and value data from the RCIS (BCIS), Valuation Office Agency and Investment Property Databank, over the previous valuation period 2005-08 shows that for the non-rural valuations there has been an overall reduction in value of approximately 14%, equating to a decrease of £60.7m in the total net book value over the period. Therefore an adjustment for impairment of £60.7m has been made in the accounts

20 Commitments Under Capital Contracts

At 31st March 2010 the Council has £209.6m of expenditure approved, but not all contracted, in its capital programme in future years, allocated as follows:

	£'000
Children & Young People	110,822
Environment	75,230
Community Safety	6,285
Community & Adult Care	9,621
Corporate Projects	<u>7,624</u>
	<u>209,582</u>

Schemes included with significant expenditure contracted at 31st March 2010 are Medico Legal Coroners Court Complex (£4.2m) and Heart of the Forest Special School (£3.7m)

21 Trust Funds

At 31st March 2010 the Council acted as trustee for 6 trust funds. These funds do not represent assets of the Council and they have not been included in the Balance Sheet.

	Restated Balance at 01.04.09 £	Income £	Expenditure £	Balance at 31.03.10 £
<i>Libraries</i>				
3 trust funds providing funding for books and a lecture evening	3,222	154	-153	3,223
<i>Edith Foster and Mary Playne Trust</i> – provides aid to college students	113,438	670	-	114,108

	Restated Balance at 01.04.09	Income	Expenditure	Balance at 31.03.10
	£	£	£	£
<i>Gloucestershire Heritage Trust Ltd –</i> preserves and renovates buildings and areas which are of historic interest	6,576	59	-	6,635
<i>Gloucestershire War Relief –</i> the awarding of grants relating to service in the Great War	411			411
	<hr/> 123,647	883	-153	<hr/> 124,377

22 Capital Expenditure

	£000	£000	%
Children & Young People		30,466	39.1
Other Education	5,945		
Primary Education	5,318		
Secondary Education	13,762		
Special Education	4,656		
Youth & Community	785		
Environment		34,335	44.1
Gloucester South West Bypass	410		
Other road construction schemes	4,794		
Structural maintenance of roads	14,166		
Structural maintenance of bridges	1,470		
Street lighting	1,048		
Flood Related Work	3,241		
Detruncked Routes	439		
Drainage	2,524		
Waste Disposal	251		
Other schemes	5,992		
Community Safety		1,237	1.6
Fire & Rescue	938		
Coroners & Registrars	140		
Community Safety Misc.	159		
Community & Adult Care		6,129	7.9
Archives	4		
Libraries	1,032		
Social Services	5,093		
Business Management		5,654	7.3
Structural maintenance, health and safety and other building works	904		
Rural Services, various farm schemes	219		
Computer services and equipment	1,017		
Other schemes	3,514		
TOTAL EXPENDITURE		77,821	100.0

23 Assets owned by the Council include the following:

		31.03.09 Nos	31.03.10 Nos
Schools	Primary	252	245 *
	Secondary	42	41
	Special	12	12
Pupil referral centres		3	3
Area resources centres (Educ)		4	4
Adventure & field study centres		5	5
Youth & Community Centres		33	33
Libraries		36	36 *
Records Office		1	1
Highways depots/stores		12	12
Park and Ride facilities		2	2
Gypsy sites		5	5
Fire stations		19	19
Social Services establishments	Child care/family centres	9	9
	Centres for older people	3	3
	Care homes for older people	22	22
	Hostels and centres for the disabled	27	27
	Group homes	21	21
	Area offices and other offices	10	10
Registrars' Offices		3	3
General Administrations buildings		4	4
Staff Houses		8	8
Miscellaneous/surplus properties		20	20
Vehicles	Buses and minibuses	82	79
	People carriers	22	28
	Vans and pick-ups	45	47
	Land Rovers etc	14	19
	Cars	15	12
	Mobile libraries	5	6
	Mobile youth centres	4	4
	Snow blowers	2	2
	Tractors	1	1
	Fire and Rescue appliances	35	41
Land at Javelin Park		1	1
Country parks and picnic sites		5	5
County Farms (hectares)		3,450	3,444
Roads (kms)		5,215	5,326

This list of assets mainly relates to those which are recorded in the Balance Sheet. It does not include those vehicles which are leased and short-term rented properties. The exception is schools where, for completeness, all schools are included but in fact only 126 out of 294 primary and secondary schools are owned by the Council and included in the Balance Sheet.

- 3 new children's centres & 2 new respite centres included with schools and libraries

Foundation Schools, Voluntary Aided and Controlled Schools assets are not included on the council balance sheet. Works that have taken place to improve these schools assets are therefore not listed as Transferred Assets in the STRGL, to ensure that they are excluded from the Council's balances.

24 Deferred Charges

Deferred charges and their treatment are explained on page 13.

	£'000	£'000
Balance as at 1 st April 2009		
Expenditure in year		
Environment – Flood	522	
Stronger, safety Communities	158	
Schools not owned by GCC		
Bus stops	19	
Early learning centre	259	
Youth	684	
Fire	<u>35</u>	1,677
<i>less</i> Grant received towards expenditure		<u>-1,349</u>
		328
Amount charged to Income and Expenditure Account		-328
Balance as at 31 st March 2010		-

25 Financial Instruments Adjustment Account

	£'000
Balance as at 1 st April 2009	5,988
Adjustment with the General Fund relating to the early repayment of debt in year (matches to entries in the Income and Expenditure Account):	
Premiums paid deferred	323
Discounts received deferred	-219
Adjustments with the General Fund relating to the total of deferred premiums/discounts	
Net write down	-149
Adjustments with the General Fund relating to impairment of Investments (matches to entries in the Income and Expenditure Account)	
Interest due on impaired investments to 31 st March 2010	-686
Impairment of investments	356
Balance as at 31 st March 2010	<u>5,613</u>

Impairment Note

Early in October 2008, the Icelandic banks Glitnir and Landsbanki collapsed along with the UK subsidiary Heritable. The Council had £12.5m deposited with these institutions, with varying interest and maturity rates as follows:

Institution	Principal	Interest Rate	Date Invested	Maturity Date	Carrying Amount £	Impairment £
Heritable	£2.0m	6.15%	19.10.07	17.10.08	974,880	539,063
Glitnir	£2.9m	6.19%	07.11.07	05.11.08	2,927,272	151,746
Glitnir	£3.0m	5.75%	02.01.08	02.12.08	3,002,254	147,561
Glitnir	£3.0m	5.50%	31.01.08	23.01.09	2,990,215	139,977
Landsbanki	£1.6m	5.67%	03.01.08	02.01.09	1,243,022	551,201

The carrying amount of the investments included in the balance sheet have been calculated by applying LAAP 82 (Update 2) using the net present value of the expected repayments, discounted using the investments original interest rate.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timings of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to make an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

The impairment loss recognised may be significantly higher if local Council deposits are not deemed to have priority. The Council has followed LAAP 82 (Update 2) and assumed priority status. An impairment reserve has been created to cover the balance (currently estimated at £7.3m) should priority status not be granted.

Heritable Bank

Heritable Bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. To date payments of £741,298 have been received and total recovery is estimated at 85%.

June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2012	5%
March 2011	5%	June 2012	5%
June 2011	5%	September 2012	5%

Recoveries are expressed as a percentage of the Council's claim in the administration which includes interest accrued up to 6 October 2008.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. The latest creditor report was issued in March 2010, and confirms the way that the successor bank will compensate Landsbanki for the assets taken over. This will be through a series of interest bearing bonds. The estimated recovery using this method will be 95%.

No payments will be made until the court case regarding creditor status has been heard, to ensure consistent treatment between both Glitnir and Landsbanki.

Glitnir Bank

Glitnir Bank hf is an Icelandic entity. The Glitnir Winding Up Board have expressed the view that local Council deposits do not have priority status which contrasts with the view expressed by the Landsbanki Winding Up Board. Local council advice remains unchanged that the deposits do have priority status. The latest information obtained in the banks accounts for 2009 indicate that if priority status is granted 100% of claims will be repaid. No payment is expected to be received before the court case and any appeals in respect of priority status being heard.

The Council has therefore decided to recognise an impairment based on it recovering the full amount of principal and interest up to 22nd April 2009. The impairment therefore reflects the loss of interest to the Council until the funds are repaid.

Interest Accrued and Received on Impaired Deposits

The impairment loss recognised in the Income and Expenditure Account in 2009/10 has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

Interest receivable has been transferred to the Financial Instrument Adjustment Account, and these adjustments are shown as above.

The Council has taken advantage of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009, which allows the Council to postpone the impact of the impairments required by accounting practice until 2010/11.

26 Landfill Allowance Trading Scheme (LATS)

During 2009/10 the Council received 107,428 Landfill Allowances which were valued at £16.57 each. This was the average price nationally of traded Allowances. The Council purchased a further 6,500 Allowances at a purchase price of £1.95 each, to ensure the Council had sufficient Allowances to cover estimated tonnages to Landfill in 2009/10.

In addition the Council also purchased 15,000 Allowances to cover the estimated tonnages to Landfill in 2010/11. These allowances were purchased at a price of £1.95 each.

27 **Debtors**

These are sums of money due to the Council but unpaid at the 31st March 2010. The amount is made up of:-

	Restated 2008/09 £'000	2009/10 £'000
Gross Debtors	38,325	42,618
Provision for Bad Debt	<u>-972</u>	<u>-570</u>
	<u>37,353</u>	<u>42,048</u>

28 **Special Contributions**

Special 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 are either paid in one lump sum or over several years. At 31st March 2010 £8,613 was due to the Pension Fund, as in previous years these have not been included as an accrual in the accounts.

29 **Insurance**

The Council arranges external insurance subject to the following excess levels: public and employer's liability £370,500. Fire/storm/water perils damage to all Council Properties £100,000 excess and damage to own motor vehicle £20,000 excess. This effectively means that all but the very largest claims are self-insured.

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

30 **Deferred liabilities**

The amount of £2.634m represents the shares of the PFI project equalisation fund attributable to Avon Fire Authority and Devon and Somerset Fire Authority as explained on page 14.

31 **Long-term Borrowing**

Source of loan	Range of Interest rates payable	Total outstanding 31.3.09 £'000	31.3.10 £'000
Public Works Loan Board	3% to 11.625%	332,519	291,683
Banks	3.99% to 4.99%	41,050	41,050
		<u>373,569</u>	<u>332,733</u>

Range of Interest	Total outstanding	
	31.3.09	31.3.10
	£'000	£'000
Analysis of loans by maturity		
Maturing in 1-2 years	2,432	14,432
Maturing in 2-5 years	24,296	14,726
Maturing in 5-10 years	30,789	33,789
Maturing in 10-15 years	45,872	44,509
Maturing in 15-20 years	33,900	18,000
Maturing in 20-25 years	36,001	26,000
Maturing in 25-30 years	22,000	12,000
Maturing in 30-35 years	27,959	29,458
Maturing in 35-40 years	33,370	31,769
Maturing in 40-45 years	60,900	52,000
Maturing in more than 45 years	56,050	56,050
	<hr/>	<hr/>
	373,569	332,733

The bank loans of £41m consist of seven lender's option/borrower's option loans (LOBOs). Interest on these loans is payable at one rate for a primary period and another for a secondary period.

At the start of the secondary period the lender can opt to change the quoted secondary rate and then has the option to change the rate again after every succeeding pre-determined interval. If the lender opts to change the rate then the borrower can choose to repay the loan at this interval. The borrower is not allowed to repay the loan if the rate is not changed from the agreement. Due to the current unlikelihood of the rate changing the maturity period included in the analysis above is for the life of the loan.

During 2009/10 the Council restructured part of its long term borrowing with the Public Works Loan Board (PWLB). Existing loans totalling £38.405m were repaid and funded through internal sources due to the adverse investment climate.

The projected interest saving over the first year was £1.38m and there was also a premium due to the PWLB totalling £0.104m which was paid to the PWLB due to the timing of the repayment. In accordance with recommended practice this will be charged to revenue account over a ten year period.

32 Provisions

	Balance at 01.04.09 £'000	Applications £'000	Additions £'000	Balance at 31.03.10 £'000
Insurance Fund*	3,486	-	558*	4,044
Adult Care– Client Refunds	307	-207	-	100
Adult Care – VAT	435	-435	-	-
Adult Care – Other Liabilities	164	-164	200	200
Environment – GSWBP Land Claims	1,131	-350	-	781
Environment – Contracts	194	-194	-	-
Environment – VAT	62	-	-	62
Environment - LATS	-	-	29	29
Registrars – Pension Costs	-	-	147	147
Other Provisions	<u>17</u>	<u>-17</u>	<u>-</u>	<u>-</u>
	5,796	-1,367	934	5,363

* Net movement shown

- Insurance Fund – see note 29 on page 58
- The Adult Care provision for client refunds is for refunds of the costs of care services incorrectly charged to clients under Section 117 of the Mental Health Act. The Level of the provision was set up based on expected need, in line with amounts set aside by OLA's however, despite significant efforts, the number of individuals eligible for refunds was significantly lower than expected, hence the decision to reduce the provision
- The other Adult Care liabilities relate to the write-off of non-returned or damaged equipment through the Community Equipment Service
- Environment provision for Gloucester South West Bypass Land & Claims is for claims relating to land acquisition which form part of the capital programme. The spend is not additional to that already allowed for in the cost of the capital works, as it already forms part of the existing scheme costs. As such, because the capital programme is already financed we have already made provision for it in future years

33 Capital Contributions Unapplied

	2008/09 £'000	2009/10 £'000
13,082 Receivable in the year		4,896
Applied in the year for financing of capital expenditure		
- contributions deferred		-4,100
- capital adjustment account		-
- 5		-
- Transfer to revenue		-
<hr/>		
9,977		796
11,620 Balance at start of year		21,597
<hr/>		
21,597 Balance at end of year		22,393

34 Capital Grants Unapplied

	2008/09 £'000	2009/10 £'000
41,720	Receivable in the year	25,289
	Applied in the year for financing of capital expenditure	
- -	- grants deferred	-24,223
- -	- capital adjustment account	-
<u>-48,347</u>	Transfer to revenue for deferred charges	<u>-1,349</u>
-6,627		-283
24,382	Balance at start of year	17,755
<u>17,755</u>	Balance at end of year	<u>17,472</u>

35 Capital Contributions Deferred Account

	2008/09 £'000	2009/10 £'000
3,100	Contributions applied to finance capital expenditure	4,100
-1,674	Amount released to Income & Expenditure Account	-1,781
- Transfer to capital financing account in respect of transferred assets		-257
<u>1,426</u>		<u>2,062</u>
<u>35,448</u>	Balance at start of year	<u>36,874</u>
<u>36,874</u>	Balance at end of year	<u>38,936</u>

36 Government Grants Deferred Account

	2008/09 £'000	2009/10 £'000
47,276	Grants applied to finance capital expenditure	24,223
-2,907	Amount released to Income & Expenditure Account	-3,271
- Reversal of grants relating to Foundation Schools		-8,467
- Transfer to capital financing account in respect of donated assets		<u>5,495</u>
<u>44,369</u>		<u>17,980</u>
<u>46,911</u>	Balance at start of year	<u>91,280</u>
<u>91,280</u>	Balance at end of year	<u>109,260</u>

37 Reserves

This statement shows the movements on the Council's reserves. It distinguishes between movements resulting from the gains and losses for the year and movements resulting from transfers between reserves, most of which the Council is required to make in accordance with statute or non statutory proper practise.

	Balance 01.04.09 £'000	Gains/ (Losses) for the year £'000	Transfers Between Reserves £'000	Balance at 31.03.10 £'000
Capital Adjustment Account	299,045	-37,634	-52,218	209,193
Financial Instruments Adjustment Account	-5,988	-	375	-5,613
Usable Capital Receipts Reserve	-	-	69	69
Collection Fund Adjustment Account	2,132	-	70	2,202
Revaluation Reserve	109,713	-3,344	6,856	113,225
Available for Sale Revaluation Reserve	-203	210	-	7
Pension Reserve	-440,212	-302,072	-14,570	-756,854
General Fund Balance				
General Fund Balance	17,179	-62,547	59,388	14,020
Named Funds (see below)	82,970	-	5,797	88,767
Earmarked General Fund Balance	<u>3,497</u>	<u>-</u>	<u>-5,767</u>	<u>-2,270</u>
Total Reserves	<u>68,133</u>	<u>-405,387</u>	<u>-</u>	<u>-337,254</u>
Named Funds	Balance at 01.04.09 £'000	Additions £'000	Applications £'000	Balance at 31.03.10 £'000
Capital Fund	16,915	7,402	-8,978	15,339
Insurance Fund	9,895	3,046	-4,012	8,929
Supporting People Reserve	3,181	-	-1,627	1,554
County Elections	519	-	-329	190
Vehicle & Plant Replacement	223	-	-26	197
Adverse Weather – Roads	174	750	-	924
Fire Service Pensions	631	-	-5	626
Waste Disposal Fees	536	-	-	536
Fire PFI Fees	405	78	-483	-
Strategic Waste Reserve	11,042	1,000	-	12,042
Corporate Initiatives	1,233	459	-1,392	300
Fire Joint Training Centre	1,019	37	-	1,056
Transformation	-	8,000	-4,151	3,849
Invest to Save	2,182	1,544	-1,026	2,700
BoF	4,276	-	-1,684	2,592
Social Care IT	2,000	-	-	2,000
Impairment	-	7,300	-	7,300
Grant Claw Back	1,000	-	-1,000	-
Other reserves	<u>569</u>	<u>41</u>	<u>-130</u>	<u>480</u>
Sub Total	<u>55,800</u>	<u>29,657</u>	<u>-24,843</u>	<u>60,614</u>

	Balance at 01.04.09 £'000	Additions £'000	Applications £'000	Balance at 31.03.10 £'000
Schools Related				
Schools Balances	24,108	26,508	-24,108	26,508
DSG	2,274	1,938	-3,082	1,130
Other Schools related	<u>788</u>	<u>317</u>	<u>-590</u>	<u>515</u>
Sub Total	27,170	28,763	-27,780	28,153
Carry Forwards	3,497	-	-5,767	-2,270
General Fund Balances	17,179	6,539	-9,698	14,020
Total	<u>103,646</u>	<u>64,959</u>	<u>-68,088</u>	<u>100,517</u>

38 Capital Adjustment Account

	2008/09 £'000	2009/10 £'000
Capital financing		
6,011 - capital receipts		2,846
- - non-earmarked grants		
5 - non-earmarked contributions		
3,496 - revenue		1,521
1,209 - capital reserve		
14,379 - MRP		15,261
2,907 Amortisation of grants deferred		3,271
1,674 Amortisation of contributions deferred		1,781
Amortisation adjustment of transferred assets		8,724
1,715 Adjustment to Revaluation Reserve for depreciation		681
Write down of deferred charges	expenditure	
-36	grants	-1,677
-65 Amortisation of intangible assets		1,349
-24,741 Depreciation		-25,411
Non Value Added		-8,928
-5,812 Impairments		-31,391
-1,911 Book value of assets on disposal		-57,813
-1,169		-89,851
<u>300,213</u> Balance at start of year		<u>299,044</u>
<u>299,044</u> Balance at end of year		<u>209,193</u>

39 Usable Capital Receipts Reserve

	2008/09 £'000	2009/10 £'000
3,543 Receivable in the year		2,915
-6,012 Applied in the year for financing of capital expenditure		-2,846
- Repaid in year		-
<hr/>	<hr/>	<hr/>
<u>-2,469</u>		<u>69</u>
<hr/>	<hr/>	<hr/>
<u>2,469</u> Balance at start of year		-
<u> </u> Balance at end of year		<u>69</u>
<hr/>	<hr/>	<hr/>

39a Revaluation Reserve

	2008/09 £'000	2009/10 £'000
51,738 Revaluations in year		25,972
- Impairment Adjustment – downward revaluation		-29,316
-1,715 Depreciation		-681
- Disposals		<u>7,537</u>
<hr/>	<hr/>	<hr/>
<u>50,023</u>		<u>3,512</u>
<u>59,690</u> Balance at start of year		<u>109,713</u>
<u>109,713</u> Balance at end of year		<u>113,225</u>

40 Financial Reporting Standard (FRS) 17 Disclosures 2009/10

The information and tables below set out the disclosure requirements of FRS 17 "Retirement Benefits" for the current year in relation to Gloucestershire County Council and the pension scheme in which it participates.

All calculations have been made by a qualified independent actuary based on the most recent full actuarial valuation of the Fund at 31st March 2007, as updated to 31st March 2010.

Participation in Pensions Schemes

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

Gloucestershire County Council participates in four pension schemes, the Local Government Pension Scheme (LGPS), the Firefighter's Pension Scheme (FPS), the New Firefighter's Pension Scheme (NFPS) and the Teacher's Pension Scheme (TPS), they are all categorised as defined benefit schemes.

Local Government Pension Scheme

The Gloucestershire Local Government Pension Scheme for civilian employees is administered by Gloucestershire County Council. The assets of the scheme are separately held in a Committee administered fund acting as trustees – it is a statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 1997 and 2007/2008, as amended. A separate annual audit is carried out by the Audit Commission. The scheme is contracted out of the State Second Pension and is a funded, defined benefit, final salary scheme, meaning that Gloucestershire County Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Retirement benefits are determined independently of the investment of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits.

Firefighter's Pension Scheme

The two Firefighter schemes are unfunded defined benefit final salary schemes administered by Gloucestershire County Council, meaning that 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.

Teachers

The Teachers Pension Scheme (TPS) is an unfunded, multi-employer pension scheme. However, Gloucestershire County Council is unable to identify its share of the underlying assets and liabilities of the scheme. In compliance with the Financial Reporting Standard (FRS 17) Retirement Benefits, the Council is reporting the Scheme as if it were a defined-contribution scheme, see Disclosures for Defined Contribution Schemes on page 75.

Pensions

Pensions are accounted for in accordance with the latest Financial Reporting Standard 17 – Retirement Benefits (FRS17). Disclosure of information has been revised to account for changes to FRS17 which bring it into line with International Accounting Standards. FRS17 requires Gloucestershire County Council's financial statements to reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding.

Change of Accounting Policy

In accordance with the 2008 SORP the council adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined pension benefit pension scheme are now valued at bid price rather than mid-market value.

Transactions Relating to Retirement Benefits

Gloucestershire County Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge Gloucestershire County Council is required to make against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance. External actuaries are appointed to provide the necessary information, and their assumptions and calculations are detailed in the notes to the Income & Expenditure Account, the Balance Sheet and the Statement of Movements on General Fund Balance on pages 32, 35 & 33 respectively. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year.

Disclosures for Defined Benefit Schemes:

Income & Expenditure Account	Local Government Pension Scheme (funded) £'000		Firefighter's Pension Scheme (unfunded) £'000	
	2009/10	2008/09	2009/10	2008/09
Net Cost of Services:				
current service cost	16,129	18,371	2,300	2,500
past service costs	2,894	6,310	-	100
Net Operating Expenditure				
interest cost	49,827	50,446	6,900	6,800
expected return on scheme assets	-23,103	-33,570		
losses/gains(-) on curtailments and settlements	1,005	218		
Net Charge to the Income and Expenditure Account	46,752	41,775	9,200	9,400
Statement of Movement on the General Fund Balance				
reversal of net charges made for retirement benefits in accordance with FRS17	(9,369)	(7,791)	(5,300)	(5,100)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	37,383	33,984	3,900	4,300
Retirement benefits payable to pensioners			5,000	5,500

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of -£302.0m (see * below)(2008/09 - £76.9m) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial loss recognised in the Statement of Total Recognised Gains and Losses for the Local Government Scheme only is -£426.9m. This represents current year plus previous 5 years.

The assets and liabilities in relation to retirement benefits attributable to the County Council as 31st March were:-

	Funded liabilities: Local Government Pension Scheme £000		Unfunded liabilities Firefighter's Pension Scheme £000	
	2009/10	2008/09	2009/10	2008/09
Reconciliation of present value of the scheme liabilities				
Opening liabilities	-723,046	-729,108	-101,100	-99,600
Current service cost	-16,129	-18,371	-2,300	-2,500
Curtailment costs	-1,005	-218	-	-
Interest cost	-49,827	-50,446	-6,900	-6,800
Contributions by scheme participants	-10,019	-9,600	-1,000	-1,200
Actuarial gains and losses(-)	-396,101 * 31,907	60,555 30,452	-39,700 * 5,000	3,600 5,500
Benefits paid	-2,894	-6,310	-	-100
Past service costs				
Closing liabilities	-1,167,114	-723,046	-146,000	-101,100
Reconciliation of present value of the scheme assets:				
Opening assets	383,934	478,297	-	-
Expected rate of Return	23,103	33,570	-	-
Actuarial gains and losses	133,728 * 37,383	-141,065 33,984	-* 3,900	- 4,300
Employer contributions	10,019	9,600	1,000	1,200
Contributions by scheme participants	-31,907	-30,452	-4,900 **	-5,500 **
Benefits paid				
Closing assets	556,260	383,934	-	-

** Includes £100k injury award expenditure

The expected return on scheme assets is determined by considering the expected returns available for each asset class at the beginning of the period. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date and expected returns on equity investments reflect long-term real rates of return.

The actual return on scheme assets in the year was - £156.8m (2008/09 - £107.8m)

Scheme History

	2005/06 As restated £000	2006/07 As restated £000	2007/08 As restated £000	2008/09 £000	2009/10 £000
Present value of liabilities					
Local Government Pension Scheme (funded)	-716,140	-724,357	-668,391	-662,196	-1,091,393
Firefighters' Pension Schemes (unfunded)	-103,000	-116,000	-99,600	-101,100	-146,000
*Discretionary added years (Teachers)	-2,207	-2,074	-60,717	-60,850	-75,721
Total Liabilities	-821,347	-842,431	-828,708	-824,146	-1,313,114
Fair value of assets in the Local Government Pension Scheme	448,797	489,174	478,297	383,934	556,260
Surplus/(deficit) in the scheme					
Local Government Pension Scheme (funded)	-267,343	-235,183	-190,094	-278,262	-535,133
Firefighters' Pension Scheme (unfunded)	-103,000	-116,000	-99,600	-101,100	-146,000
*Discretionary added years (Teachers)	-2,207	-2,074	-60,717	-60,850	-75,721
Total	-372,550	-353,257	-350,411	-440,212	-756,854

In 2009 FRS 17 required restatement of prior year assets from mid price to bid price. The Council elected to restate previous years as the data was made available by the scheme actuary.

* Discretionary added years (unfunded teachers) are actuarially valued from 2007/08 and have been restated accordingly.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of all 4 schemes of £1,313m has a substantial impact on the net worth of Gloucestershire County Council as recorded in the Balance Sheet, resulting in a negative pension reserve of £756m.

However, statutory arrangements for funding the deficit mean that the financial position of Gloucestershire County Council remain healthy.

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- finance is only required to be raised to cover fire pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by Gloucestershire County Council in the year to 31 March 2011 is £32.2m. Expected contributions for the Firefighters' Pension Schemes in the year to 31 March 2011 are £1.8m

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Fire Schemes and Gloucestershire County Council Fund 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 as at 1 April 2007.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme (funded)		Firefighters' Pension Scheme (unfunded)	
	2009/10	2008/09	2009/10	2008/09
Long term expected rate of return on assets in the scheme:				
Equity investments	7.8%	7.0%	-	-
Bonds	5.0%	5.4%	-	-
Property	5.8%	4.9%	-	-
Cash	4.8%	4.0%	-	-
Total plan assets	6.9%	5.9%	-	-
Mortality assumptions				
Longevity at 65 (60 for Fire) for current pensioners	-	-	-	-
Men	22.7	20.4	27.6	27.6
Women	26.1	23.4	31.0	31.0
Longevity at 65 (60 for Fire) for future pensioners				
Men	24.8	22.6	29.2	29.2
Women	28.3	25.5	32.7	32.7
Rate of inflation	3.8%	3.1%	3.8%	3.1%
Rate of increase in salaries	5.3%	4.6%	5.3%	4.6%
Rate of increase in pensions	3.8%	3.1%	3.8%	3.1%
Rate of discounting scheme liabilities	5.5%	6.9%	5.5%	6.9%
Take-up of option to convert annual pension into retirement lump sum	50.0% per Apr 2008 services 75% per Apr 2008 services	50.0%	90.0%	90.0%

The Firefighters' Pension Scheme have no assets to cover liabilities. The Local Government Pension Scheme's assets consist of the following categories by proportion to the total assets held:

	31 March 2010%	31 March 2009 %
Equity Investments	67	50
Bonds	24	25
Property	6	8
Cash	3	17
	<u>100</u>	<u>100</u>

History of Experience Gains and Losses:

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31st March 2010

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Local Government Pension Scheme (LGPS)					
Differences between the expected and actual return on assets	13.4	-0.1	-11.0	-36.7	24.0
Experience gains and losses on liabilities	0.0	-0.1	12.6	0.4	0.2
Firefighters' Pension Scheme (FPS)					
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	-0.6	6.9	-0.8	-1.6	-1.0
New Firefighters' Pension Scheme (New FPS)					
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	-	-	0.0	28.6	-14.3

Reporting Statement – “Retirement Benefits – Disclosures”

In January 2007, the Accounting Standards Board (ASB) published the “Reporting Statement”. It is designed to promote greater transparency in financial reporting for defined benefit schemes. The reporting Statement is not mandatory, however the County Council has chosen to include, for the funded Local Government Pension Scheme, the recommended additional disclosures.

The reporting Statement highlights six principles to be considered when providing disclosures for defined benefit schemes, which are:

1 Relationship between Gloucestershire County Council and the Gloucestershire Local Government Pension Scheme

The Gloucestershire Local Government Pension Scheme for employees is administered by Gloucestershire County Council. The assets of the scheme are separately held in a Committee administered fund who act as trustees with regard for the best interest of the Fund's beneficiaries – it is a statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 1997 and 2007/08, as amended. The County Council's pension scheme assets comprise a notional portion of assets of the Fund to meet long-term pension liabilities for past and present employees of the County Council.

2 Principal Assumptions used to measure Gloucestershire County Council's Liabilities

Principal actuarial assumptions at the Balance Sheet date:

	2009/10	2008/09
Future pension increase	3.8%	3.1%
Future salary increases	5.3%	4.6%
Discount rate	5.5%	6.9%
Expected return on plan assets	6.9%	5.9%
Proportion of employees opting for maximum commutation	50-75%	50.0%

Life expectancy based on the PMA92/PFA92 year of birth tables

Year Ended 31 st March 2010	Prospective Pensioners year of birth, medium cohort and 1% p.a. medium improvements from 2007	Pensioners year of birth, medium cohort and 1% p.a. medium improvements from 2007
31 March 2009	calendar year 2033	calendar year 2007
31 March 2008	calendar year 2033	calendar year 2007
31 March 2007	calendar year 2017	calendar year 2004
31 March 2006	calendar year 2004	calendar year 2004

The following age rating applied in each case:	2009/10	2008/09
Officers (& post – 1998 joiners)	-2	-2
Manuals	1	1

III heath retirement

As pensioners above, except rates up by 5 years (6 years for male officers and male post-1998 joiners)

Widows

One year older than female pensions

3 Sensitivity of the Principal Assumptions used to measure the County Council's Liabilities

Assumption	Change in assumption	Impact on scheme liabilities
Discount Rate	Increase/Decrease by 0.5% p.a.	Decrease/Increase liability c8%
Rate of inflation	Increase/Decrease by 0.5% p.a.	Decrease/Increase liability c6%
Rate of Salary growth	Increase/Decrease by 0.5% p.a.	Decrease/Increase liability c6%
Rate of Mortality	Improve by 1 year	Increase by c3%

4 How the arising Liabilities are Measured

Gloucestershire County Council provides retirement benefits to some of its former and current employees through the Gloucestershire LGPS Fund. The level of retirement benefit is principally based on salary earned in the best of three of the final ten years of employment and service accrued at retirement.

FRS17 requires that defined benefit scheme liabilities are measured on an actuarial basis using the projected unit method. The scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability, currently held as the rate of return of a high quality corporate bond.

The liabilities of the defined scheme are measured by discounting the best estimate of future cash flows to be paid out of the scheme using the projected unit method. This amount is reflected in the balance sheet as a liability. The projected unit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. The value placed on the liabilities is an actuarial measure of the present value of benefits for service already rendered and also allows for future salary increases. At the balance sheet date the value placed on Gloucestershire County Council's funded liability (LGPS) was £1,091,393,000 (2008/09 £662,196,000)

5 Gloucestershire County Council's Future Funding Obligations in Relation to the LGPS

The most recently completed triennial actuarial valuation of the Gloucestershire County Council Pension Fund in which the County Council participates, was performed by the Actuary to the Fund as at 31st March 2007. The next triennial valuation is due to be completed as at 31st March 2010.

As part of the Triennial valuation, the County Council's minimum contribution rates were agreed as follows:

1 April 2009 to 31 March 2010	20.9% of pensionable pay
1 April 2010 to 31 March 2011	21.9% of pensionable pay

Gloucestershire County Council has agreed the following funding objectives with the Administering Authority to the Fund

- 1 To return the ongoing funding level of the County Council's portion of the scheme to 100% of the projected past service liabilities within a period of 20 years measured in accordance with the assumptions adopted as at the actuarial valuation dated 31st March 2007.
- 2 Once the funding level of the County Council's portion of the scheme is 100% of the projected past service liabilities to maintain funding at least at this level.

The levels of contributions are based on the current service costs and the expected future cash flows of the defined benefit scheme.

6 Nature and Extent of the Risks arising from Financial Instruments held by the Fund

As at 31 March 2010 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. The fair value of the scheme assets as a percentage of total actuarial scheme assets and target allocations are as set out below:

	2009/10	2008/09
Equities	67%	50%
Bonds	24%	25%
Property	6%	8%
Cash	3%	17%

The majority of the equities held by the scheme are in international blue chip entities as included in the FTSE and MSCI Indexes. The aim is to hold a globally diversified portfolio of equities with a small allocation to higher risk markets, such as Emerging Markets, to maintain a wide range of diversification and to improve return opportunities. The target allocation as at 1st December 2008 is as below:

Specific Allocation	
UK	25%
North America	9%
Pacific Basin	6%
Europe	6%
Emerging Markets	4%
Mandate Allocation	
Global	<u>15%</u>
	<u>65%</u>

Disclosures for Defined Contribution Schemes:

Teachers employed by the County Council are members of the Teachers' Pension Scheme, administered by the Teacher Pension Agency (TPA) for the Department of Children, Schools and Families. It provides teachers with defined benefits upon their retirement, and the county council contributes towards the costs of making contributions based on a percentage of members' pensionable salaries.

In 2009/10 the County Council paid £26.5m to Teachers' Pensions in respect of teachers' retirement benefits representing 14.1% of pensionable pay. The figures for 2008/09 were £25.9m and 14.1% respectively. There were no contributions remaining payable at the year-end.

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the County Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of the Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

Gloucestershire County Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These benefits are fully accrued in the pensions liability.

These additional benefits, including unfunded compensation, are paid directly by the County Council for retirements up to 1999 (£2.98m) and via TPA for retirements post 1999 (£1.1m). Together these additional benefit costs totalled £4.08m in 2009/10 representing 2.2% of pensionable pay.

41 Reconciliation of Income and Expenditure Account to Revenue Activities Net Cash Flow

	£'000	2009/10 £'000
Income and Expenditure Account surplus (-)/deficit for the year		62,547
Movement on General Fund		-53,621
Non-cash transactions		
Minimum revenue provision	-15,261	
Fire PFI	-21	
Revenue financing of fixed assets	-1,521	
Decrease in provisions	433	
Contribution to earmarked reserves	-5,796	
Capital Contributions Returned to Revenue	-	
Deferred charges written off	-	
Financial Instrument Adjustments	<u>-377</u>	
		<u>-22,543</u>
		<u>-13,617</u>
Items on an accruals basis		
Increase in creditors	-4,272	
Increase in receipts in advance	-2,993	
Increase in debtors	3,814	
Increase in stocks and work in progress	217	
Increase in payments in advance	<u>1,588</u>	<u>-1,646</u>
		<u>-15,263</u>
Net interest payments		<u>-17,040</u>
Net cash flow from revenue activities		<u>-32,303</u>

42 Movements in Financing and Management of Liquid Resources Activities

	Balance 01.04.09 £'000	Balance 31.03.10 £'000	Movements in year £'000
Long term borrowing/other liabilities	-379,858	-334,644	45,214
Fire PFI Liability	-2,543	-2,634	-91
Borrowing/other liabilities repayable within 12 months	-5,088	-6,307	-1,219
Loans to other bodies	12	9	-3
Loans to Transferred Services	67	67	-
Short-term investments	165,276	95,110	-70,166
Long-term investments	<u>-11,195</u>	<u>-8,912</u>	<u>2,283</u>
Increase in cash from financing and liquid resources activities	<u>-233,329</u>	<u>-257,311</u>	<u>-23,982</u>

43 Liquid Resources

These are included in the short-term investment total. Currently they include £12.46m in notice bank accounts and £27.16m held by fund managers. The remainder of the short term investments total relates to fixed rate deposits, managed in-house, which are placed to smooth out the cash flow profile. Lending is restricted to other local authorities and certain approved financial institutions, within agreed limits. Short term lending policy is approved by the Council.

44 Movement in Net Debt

	Balance 01.04.09 £'000	Balance 31.03.10 £'000	Movements in year £'000
Movement in cash			
Cash in hand	-199	-200	-1
Cash in bank	-21,000	-17,242	3,758
Pension Fund cash	<u>10,700</u>	<u>10,353</u>	<u>-347</u>
<i>Increase(-)/decrease in cash</i>	-10,499	-7,089	3,410
Movement in financing and liquid resources	<u>233,329</u>	<u>257,311</u>	<u>23,982</u>
<i>Increase/decrease (-) in net debt</i>	<u>222,830</u>	<u>250,222</u>	<u>27,392</u>

45 Analysis of Government Grants – cash received in 2009/10

	£'000	£'000
General Grants		
Non Domestic Rate Income	91,498	
Area Based Grant	26,659	
Revenue Support Grant	<u>21,119</u>	
		139,276
Specific Grants		
Dedicated Schools Grant (DSG)	315,166	
Standards Fund	67,738	
Learning and Skills Council	35,264	
Supporting People	22,231	
Sure Start, Early Years and Childcare Grant	14,410	
DEFRA	2,111	
Social Care Reform	1,989	
Fire Services	1,163	
Asylum Seekers	1,124	
Youth Offending Team Grant	1,061	
South West RDA	859	
Training Development Agency	739	
Workstep	716	
Learning Disability Campus Closure Programme	687	
Diploma Specific Formula Grant	583	
Youth Opportunity	323	
Local Authority Business Growth Incentives (LABGI) scheme	286	
Targeted Mental Health in Schools	213	
Other Grants	<u>10,793</u>	
		<u>477,456</u>
Total Revenue Grants		616,732
Capital Grants		
DCSF – Sure Start	2,399	
DCSF – Standards Fund	14,789	
Big Lottery Fund	143	
Football Foundation	45	
Energy Saving trust	14	
GOSW – Youth Capital Fund	252	
DCSF – Play builder	531	
DCSF – Integrated System's	45	
Learning & Skills Council	764	
Communities & Local Government	665	
Safer Stronger Communities	204	
Department of Health	663	
Department for Transport	2,608	
DEFRA	1,029	
SWRDA	1,048	
Other Grants	<u>90</u>	
Total Capital Grants		<u>25,289</u>
Total Grants		<u>642,021</u>

46 Disclosure of Involvement in a Local Area Agreement (LAA)

The Council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants and alignment of budgets to finance work towards jointly agreed objectives for local public services

The purpose of the LAA is:

- To form an agreement between the Gloucestershire Local Strategic Partnership, Government (represented by Government Office South West), and other external agencies to ensure that together we achieve the 2017 vision in the Sustainable Community Strategy
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement
- To improve the effectiveness and efficiency of public services in Gloucestershire by pooling and aligning funding streams

The LAA partners are:

- Local Government bodies – Gloucestershire County Council, Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council, Gloucester City Council, Tewkesbury Borough Council, Stroud District Council
- Community protection authorities – Gloucestershire Fire and Rescue Service, Gloucestershire Constabulary, Gloucestershire Police Authority
- Health bodies – Gloucestershire PCT
- External Agencies – Gloucestershire Assembly for the Voluntary & Community Sector, Gloucestershire First, Learning and Skills Council

47 Exceptional Item – Building our Future Voluntary Early Retirement Costs

Building our Future's first phase of restructuring involved fundamental view of the Council's role and future organisational shape, with the loss of around 200 posts.

The cost of first phase restructuring voluntary early retirement and redundancies in 2009/10 amounted to £4.151 million. Due to the nature of these one-off costs, this expenditure has been treated as an exceptional item within the 2009/10 Income and Expenditure account.

48 Financial Instruments

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 risks in accordance with CIPFA's Prudential Code.

Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as from credit exposures to the Council's customers.

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

Deposits are made with the Government Debt Management Office, other local authorities, banks and other financial institutions (building societies). 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 suffered impairment losses during 2008/09 relating to the value of investments that it holds with Icelandic Banks. In accordance with recommended practice the estimated impairment has been revised for current conditions although the overall effect on the revenue account is neutral. Any actual losses that arise will be reflected in the financial year in which they occur. The value of the impairment loss will be greater if the Council is not confirmed as a preferential creditor for two of the Icelandic banks involved.

The Council's debtors, including any payments in advance made by the Council, totalled £49m as at 31st March 2010 and 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 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 2010 these debts totalled £13m.

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

	31.03.09 £000	31.03.10 £000
Less than a month	4,082	7,330
One to three months	1,312	4,028
Three to six months	418	435
Over six months	1,211	1,286
Total outstanding debtor invoices	7,023	13,079

The following analysis summarises the Council's potential maximum exposure to credit risk. This is based on likely impairment of the Icelandic investments and a detailed review of outstanding debtor (customer) invoices.

	Amount at 31 st March 2010 £'000	Historical experience default %	Historical experience adjusted for market conditions at 31 st March 2010 %	Estimated maximum exposure to default to and uncollectability £'000
Deposits with banks and financial institutions	110,963	-	1.4	1,529
Customers	13,079	3.6	4.4	570

Liquidity Risk

As the Council has ready access to borrowing from the Public Works Loan Board (PWLB), there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates. To minimise the above risk, a wide spread of repayments dates is maintained.

The maturity analysis of the financial liabilities is given at note 31.

Market Risk – Interest Rates

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowing and investments. A rise in interest rates would have the following effects on the Income and Expenditure (I & E) account and assets and liabilities.

- Borrowing at variable rates – the interest expense charged to the I & E account will rise
- Borrowings at fixed rate – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest credited to the I & E account 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 borrowing would not affect the I & E account or the Statement of Total Recognised Gains and Losses (STRGL). Movements in the fair value of fixed rate investments will be reflected in the STRGL.

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 Strategy and takes advice from external advisors to try and achieve the highest rate for investments and to borrow when rates are low.

In line with this assessment strategy, at 31st March 2010, if interest rates had been 1% higher or 1% lower, with all variables held constant, the financial effect would be zero since the Council only held fixed rate borrowing and investments on that date.

The treasury management team has an active strategy for assessing interest rate exposure that 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 Authority.

Market Risk – Price Risk

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

Market Risk – Foreign Exchange

The Council's only exposure to foreign exchange rates is the operation of a Euro account to facilitate foreign transactions. The sterling value of the account will fluctuate in line with movements in exchange rates. The balance of the account is maintained at around £35,000 so the exposure to loss is not significant.

Fair Value Adjustments

Financial liabilities together with financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the investments, using the following assumptions.

- 1 Estimated interest rates at 31st March 2010 of actual interest rate from notice number 063/10 for loans from the PWLB and 4% for other loans receivable and payable
- 2 No early repayment or impairment is recognised, however the PWLB fair value redemption figure is £328m
- 3 Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- 4 The fair value of trade or other receivables is taken to be the invoiced amount

	March 2009		March 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB - maturity	341,423	391,180	297,434	327,872
Lender option borrower option	41,560	41,560	41,575	41,575
Finance lease	1,963	1,963	1,943	1,943
Financial Liabilities	384,946	434,703	340,952	371,390

The fair value is more than the carrying amount, because we have a number of fixed-rate loans for which the interest rate is higher, at the balance sheet date, than the rates available for similar loans.

	March 2009		March 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and receivables (included in debtors)	£'000 2,035	£'000 2,035	£'000 2,605	£'000 2,605

These relate to loans other than investments with banks and financial institutions and include loans where the interest rate charged is below market rates (soft loans). The amounts largely consist of charges on property which will become due when the property is sold. The date of sale has been assumed to be within the 2009/10 financial year and the fair value is therefore assessed to be the same as the carrying amount.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments.

	Long Term (> 1 year)		Current (< 1 year)		Total	
	31.03.09 £'000	31.03.10 £'000	31.03.09 £'000	31.03.10 £'000	31.03.09 £'000	31.03.10 £'000
Financial liabilities at amortised cost	375,511	334,645	9,435	6,307	384,946	340,952
Financial liabilities at fair value through Income & Expenditure	-	-	-	-	-	-
Total Borrowings	375,511	334,645	9,435	6,307	384,946	340,952
Deposits with the Government, banks and other financial institutions	11,195	8,912	175,775	102,199	186,970	111,111
Available for Sale Financial Assets	-	-	-	-	-	-
Unquoted Equity Investments at cost	-	-	-	-	-	-
Other loans and receivables			2,035	2,605	2,035	2,605
Total Investments/ Receivable	11,195	8,912	177,810	104,804	189,005	113,716

The gains and losses recognised in the I & E accounts and STRGL in relation to financial instruments are made up as follows:

		2009/10		
	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans & receivables	Available for sale assets	
	£'000	£'000	£'000	£'000
Interest Expense	18,664			18,664
Premiums on early repayment of borrowing	323			323
Discounts on early repayment of borrowing	-219			-219
Impairment losses	-	-330	-	-330
Interest payable and similar charges	18,768	-330	-	18,438
Interest Income		-1,624		-1,624
Gains on de-recognition				
Interest and investment income		-1,624		-1,624
Gains on revaluation			-210	
Losses on revaluation			-	
Surplus /loss (-) on revaluation of financial assets			-210	
Net gain/loss (-) recognised in year	18,768	-1,954	-210	

49 Collection Fund Adjustment Account Note

Within Gloucestershire, precept collection for the Council is managed by the District Councils. Prior to 2009/10 precept income shown within the Council's accounts was purely on a cash basis, i.e. the amount actually received from each District, with the District Councils, showing the full share of any outstanding arrears and overpayments.

The 2009 SORP now requires 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.

A prior year adjustment to the 2008/09 Accounts has been made for comparative purposes and the following statement outlines the balances held as at 31st March 2010:

Council Tax Collection Fund as at 31.03.10 District Council	Council Tax Arrears after Impairment Allowance for Doubtful/Bad Debt (Debtors) £'000	Council Tax Overpayments & Prepayments (Creditors) £'000	Collection Fund (Surplus)/Deficit £'000	Cash (shown as Debtor or Creditor) £'000
Cheltenham Borough	864	-387	-531	54
Cotswold	460	-827	-291	658
Gloucester City	2,230	-599	-358	-1,273
Forest of Dean	761	-319	-483	41
Stroud	622	-660	-271	309
Tewkesbury Borough	1,138	-105	-269	-764
	<hr/> 6,075	<hr/> -2,897	<hr/> -2,203	<hr/> -975

50 Post Balance Sheet Events

“The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis of future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standards (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of the employer’s FRS17 liabilities by around 6% and the FRS17 balance sheet deficit by around 12%. In monetary terms the liabilities and deficit have fallen by around £62.4m for Gloucestershire County Council.

Combined Fire Fighter Pension Fund.

“The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis of future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standards (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of the Authority’s FRS17 liabilities and balance sheet deficit by around 7%, amounting to £10.3m for the combined fire fighter scheme”

Gloucestershire Pension Fund

Fund Account for the Year Ended 31st March 2010

	2008/09 £'000	2009/10 £'000	Note
Deals with members, employers and others directly involved in the scheme			
Contributions			
-54,664		-65,320	P20
-17,280		-17,811	P20
<u>-71,944</u>			P7
Transfers in			
<u>-3,787</u>			-5,605
individual transfers in from other schemes			
Other income			
<u>-1,171</u>			-1,191
recoveries for services provided			
Benefits			
41,703		45,583	
7,768		13,173	
1,335		<u>1,409</u>	
<u>50,806</u>			60,165
Payments to and on account of leavers			
25		15	
4		1	
<u>4,487</u>		<u>4,237</u>	
<u>4,516</u>			4,253
1,375			1,669
Administrative expenses			P9
<u>-20,205</u>			<u>-23,840</u>
Net additions from dealings with scheme members			
Returns on investments			
-27,222		-23,792	P14
44		14	
228,587		-271,475	P4
2,091			3,013
<u>203,500</u>			<u>-292,240</u>
Net returns on investments			

		2008/09 £'000	2009/10 £'000	Note
<u>183,295</u>	NET INCREASE (-)/DECREASE IN THE FUND DURING THE YEAR		<u>-316,080</u>	
920,759	Opening net assets of the scheme		737,464	
<u>737,464</u>	Closing net assets of the scheme		<u>1,053,544</u>	

Gloucestershire Pension Fund
Net Assets Statement as at 31st March 2010

2008/09	2009/10	Note
£'000	£'000	
Investment assets		
109,797	149,260	
Fixed interest securities		
172,530	268,859	
Equities		
55,801	75,192	
Index-linked securities		
209,181	467,738	
Pooled investment vehicles		
56,061	60,428	
Property Unit Trusts		
7,077	1,410	P16
Derivative contracts		
2,693	3,751	
Other instruments – Venture Capital/ Private Equity		
107,548	11,382	
Cash held on behalf of the investment managers		
5,883	7,320	
Other investment balances		
<u>726,571</u>	<u>1,045,340</u>	
Investment liabilities		
-307	-4,413	P16
Derivative contracts		
<u>-1,555</u>	<u>-1,540</u>	
Other investment balances		
<u>-1,862</u>	<u>-5,953</u>	
Borrowings		
-2	:	
Sterling		
<u>-2</u>	<u>:</u>	
Current assets		
3,585	7,664	P24
Contributions due from employers		
279	236	
Other current assets		
3	-	
Payments in advance		
10,700	10,353	
Cash balances (internal)		
<u>14,567</u>	<u>18,253</u>	
Current liabilities		
-7	-2,403	
Unpaid benefits		
<u>-1,803</u>	<u>-1,693</u>	
Other current liabilities		
<u>-1,810</u>	<u>-4,096</u>	
<u>737,464</u>	<u>Net assets as at 31st March 2010</u>	<u>P13</u>
	<u>1,053,544</u>	

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 position of the Fund, which does take account of such liabilities, is dealt with in the statement by the Scheme Actuary within the Pension Fund Annual Report 2009/10 along with the Fund's Funding Strategy Statement. The Actuary's statement is based on the triennial valuation as at 31st March 2007. The actuarial position is summarised in note P6.

The Notes on pages 90 to 105 form part of these Financial Statements.

Gloucestershire Pension Fund

Notes

P 1 The County Council is the administering body for the Gloucestershire Local Government Pension Fund. This is not only for County Council employees but also the 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 is shown in the Pension Fund's Annual Report alongside the more detailed accounts of the Gloucestershire Pension Fund. The Local Government Pension Scheme is a statutory funded pension scheme. It is "contracted out" of the state scheme and is termed a defined benefit (or final salary) scheme. The scheme is made available to all (*) employees except firefighters 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 2010 was 18,019 (2009 18,047). A full analysis of membership 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 Balance Sheet.

** There are restrictions with some casual staff.*

P 2 Accounting Policies

Basis of preparation

The accounts have been prepared to meet the requirements of the Local Government Pension Scheme Regulations 1997 and subsequent amendments. They are also in accordance with the provisions of Chapter 2 Recommended Accounting Practice of the Pensions SORP 2007 "The Financial Reports of Pension Schemes" issued by the Pensions Research Accountants Group (PRAG). The Accounting Standards Board (ASB) have approved PRAG for the purposes of issuing recognised SORPs for pension schemes. The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. 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. Benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid claims approved during the year. Transfer values are accounted for when they are paid or received.

Investment manager expenses

The managers' fees have been accounted for on the basis contained within their management agreements. All managers fees except Acadian, GMO, Hermes and Yorkshire Fund Managers are based on an agreed percentage of the market value of assets under their management. Hermes deducts its fees from a combination of assets held and income distributions. Acadian, GMO and Yorkshire Fund Managers deduct their fees from the value of the assets under their management.

Administering authority recharges

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

Valuation of assets

The revised SORP requires securities to be valued on a Fair Value Basis therefore assets, where there is an active market, 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 2010.

Derivatives

Derivative contracts are valued at fair value and are determined using exchange prices at 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 yearend date.

Acquisition and transaction costs of investments

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

P3 Taxation

The Fund is exempt from UK capital gains tax on the proceeds of investments sold. Corporation Tax 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.

P4 Investment Movement Summary

Asset Class	As restated Market Value at 31.03.09	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Market Value, new money and accruals	Market Value at 31.03.10
	£'000	£'000	£'000	£'000	£'000
Fixed Interest	109,797	119,379	-114,741	34,825	149,260
Equities	172,530	87,516	-79,307	88,120	268,859
Index Linked	55,801	42,964	-28,130	4,557	75,192
Derivatives	6,770	1,439	-31,211	19,999	-3,003
Pooled Investments	209,181	162,060	-35,316	131,813	467,738
Property Unit Trusts	56,061	-	-	4,367	60,428
Private Equity	2,693	1,057	-	1	3,751
	612,833	414,415	-288,705	283,682	1,022,225
Cash movement, currency adjustments, other and end of year settlements	124,631			-12,207	31,319
	737,464			271,475	1,053,544

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 above table represent futures, options and forward foreign exchange contracts. The closing market value represents fair value as at the yearend date. In the case of future and option 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.

All derivative contracts settled during the period are reported within the table as purchases and sales. As all contracts settled individually, with an amount being paid to or from the broker in respect of all foreign currency contracts, these transactions are disclosed as purchases and sales. As forward foreign exchange trades are settled gross they are included as gross receipts and payments hence the volumes shown are high.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amount to £987,714 (2008/09 £972,602). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid/offer spread on investments within pooled investment vehicles. The amount of indirect costs are not separately provided to the Fund.

P5 Management of Fund Assets

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

	2008/09		2009/10	
	£'000	%	£'000	%
Western Asset Management Company	187,281	25.4	255,272	24.2
Black Rock Advisors (UK) (formerly Barclays) Global Investors	160,583	21.8	233,487	22.2
GMO	-	-	163,708	15.5
UBS Global Asset Management	-	-	-	-
Standard Life Investments	181,397	24.6	276,849	26.3
Hermes Investment Management	56,955	7.7	61,399	5.8
Property Unit Trust				
BNY Mellon Asset Management International	109,557	14.9	101	-
Acadian Asset Management	26,076	3.5	44,376	4.2
YFM Group	<u>2,693</u>	<u>0.4</u>	<u>3,751</u>	<u>0.4</u>
Total - External Managers	724,542	98.3	1,038,943	98.6
	—	—	—	—
In-house cash and accruals	12,757	1.7	14,158	1.4
Cash instruments with Custodian	165	-	443	-
	<u>737,464</u>	<u>100.0</u>	<u>1,053,544</u>	<u>100.00</u>

Where the value of an investment exceeds 5% of the total value of net assets, details have been disclosed in note P17.

P6 Actuarial Position of the Fund

- An actuarial valuation carried out as at 31st March 2007, was the relevant valuation for employer contributions required during the year to 31st March 2010.
- Results showed that the required level of contributions to be paid to the Fund by the County Council for the year to 31st March 2010 in accordance with the Fund's Funding Strategy Statement was 20.9% (2008/09 19.9%) of pensionable pay. 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 triennial valuation date was £950m and represented 74% 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 and the main actuarial assumptions were as follows:

Rate of return on investments	6.1% per annum
Rate of general pay increases	4.7% per annum
Rate of increase to pensions in payment (in excess of guaranteed minimum pension)	3.2% per annum
- Actuarial valuations of the Fund are required to be undertaken every three years and the latest valuation took place as at 31st March 2007. This valuation details the level of employer contributions that are required to be paid in the financial year commencing 1st April 2008 and each of the subsequent two years.

P7 Analysis of Contributions Receivable and Benefits Payable

	2008/09		2009/10	
	Contributions receivable £'000	Benefits payable accounts £'000	Contributions receivable £'000	Benefits payable £'000
Gloucestershire County Council <i>(administering authority)</i>	39,044	27,546	47,324	32,570
Scheduled bodies (45) <i>(bodies admitted by right)</i>	29,185	22,289	32,595	25,289
Admitted bodies (18) <i>(bodies admitted by agreement)</i>	<u>3,715</u>	<u>971</u>	<u>3,212</u>	<u>2,306</u>
	<u>71,944</u>	<u>50,806</u>	<u>83,131</u>	<u>60,165</u>

P8 Statement of Investment Principles

A Statement of Investment Principles, which set out the Pension Fund's long-term investment objectives, its style of management and policies together with performance targets and details of how that performance is monitored and reviewed, can be found in the Annual Report of the Gloucestershire Pension Fund.

P9 Related Party Transactions

Gloucestershire County Council, as administering authority for the Fund, provided services for which it charged the following amount.

	2008/09 £'000	2009/10 £'000
Administrative expenses	<u>1,375</u>	<u>1,669</u>

There were no related party transactions with members of the Pension Committee. Transactions between employers and the Fund are disclosed in note P7. Surplus cash balances are invested through the Council's short-term investment procedures.

P10 Contingent Liabilities and Contractual Commitments

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

	Total Commitment £'000	Outstanding liability 2008/09 £'000	Outstanding liability
			2009/10 £'000
South West Venture Fund	2,500	750	125
Chandos Fund	3,000	1,951	1,519
Total	5,500	2,701	1,644

P11 Unlisted Holdings

The following holdings are unlisted:

	2008/09 £'000	2009/10
		£'000
<u>Pooled investment vehicles</u>		
UK equity unitised insurance policies	3,913	5,755
Overseas equity managed fund	26,076	207,759
Overseas equities unitised insurance policies	160,582	233,486
Overseas limited liability partnerships	14,955	16,351
	<u>205,526</u>	<u>463,351</u>

P12 Stocklending

The Pension Fund's custodian had been authorised to release stock to third parties under a stock lending arrangement. However, from 21st July 2008 this was temporarily suspended and all assets out on loan were recalled. At 31st March 2010 the value of stock out on loan was subsequently £17.1m (2008/09 £nil) all of which were UK equities. Collateral of £18.4 equal to 108% of stock out on loan was held in the form of £8.4m in FTSE 350 UK equities and £10m in AA rated UK and Overseas government debt and AAA rated fixed interest stock issued in Supranational bodies.

P13 Net Asset Investment Analysis

	2008/09 As restated £'000	2009/10 £'000
Investment assets		
<u>Fixed interest securities</u>		
UK – Public Sector – Quoted	21,008	28,209
- Other quoted	71,100	99,643
Overseas – Public Sector – Quoted	3,271	16,213
- Other – Quoted	14,418	5,195
	109,797	149,260
<u>Equities</u>		
UK – Quoted	172,514	268,859
Overseas – Quoted	16	-
	172,530	268,859
<u>Index-linked securities</u>		
UK – Public Sector – Quoted	46,511	60,601
- Other – Quoted	4,413	2,808
Overseas – Public Sector – Quoted	4,877	11,783
	55,801	75,192
<u>Pooled investment vehicles</u>		
Unitised Insurance Policies		
UK – Equities – Unquoted	3,913	5,755
Overseas – Equities – managed from within the UK	160,582	233,486
– Unquoted		
Other Managed Funds		
O.E.I.C.s – UK Liquidity	3,655	495
- Overseas Equities – managed from outside the UK –quoted	-	3,892
- Overseas Equities – managed from outside the UK – Unquoted	26,076	207,759
Limited Liability Partnerships		
- Overseas Fixed Interest – managed from outside the UK-Unquoted	14,955	16,351
	209,181	467,738
UK Property Unit Trusts – Quoted	56,061	60,428
<u>Derivative Contracts (P16)</u>		
Futures – UK	967	7
- Overseas	5,027	61
Options – Overseas	14	38
Forward foreign exchange contracts	1,069	1,304
	7,077	1,410

	2008/09 As restated £'000	2009/10 £'000
Other Investments		
Venture Capital/Private Equity – UK	2,693	3,751
Cash (Managers)		
Cash instruments – UK	80,346	6,988
- Overseas	367	2,763
Cash Deposits – UK	19,679	658
- Overseas	7,156	973
	107,548	11,382
Other Investment balances		
Debtors		
Outstanding settlement of investment transactions	1,255	1,739
Accrued dividend income and tax claims due on dividend income	4,628	5,581
	5,883	7,320
Total Investment Assets	726,571	1,045,340
Investment Liabilities		
Derivative Contracts (P16)		
Futures – Overseas	-	-291
Forward foreign exchange contracts	-229	-223
	-78	-3,899
	-307	-4,413
Other investment balances		
Creditors		
Outstanding settlement of investment transactions	-1,555	-1,540
Total Investment Liabilities	-1,862	-5,953
Borrowings		
Sterling – amount falling due within one year	-2	-
Current Assets		
Contributions due from employer	3,585	7,664
Other current assets (debtors)	279	236
Payments in advance	3	-
Cash balances (internal)	10,700	10,353
	14,567	18,253
Current Liabilities		
Unpaid benefits	-7	-2,403
Other liabilities (creditors)	-1,803	-1,693
	-1,810	-4,096
	737,464	1,053,544

P14 Investment Income

Investment income arises from the following investment categories:

	2008/09 £'000	2009/10 £'000
Fixed interest	10,114	8,391
Equities	10,517	8,491
Index-linked	983	1,857
Pooled investment vehicles	3,986	4,823
Interest on cash deposits	1,534	210
Other income	88	20
	<u>27,222</u>	<u>23,792</u>
Withholding Tax	-44	-14
	<u>27,178</u>	<u>23,778</u>

P15 Separately Invested Additional Voluntary Contributions (AVC's)

Gloucestershire County Council LGPS holds assets with The Prudential Assurance Company Limited and Phoenix Life Limited. The AVC's are invested separately in funds managed by them. These are in the form of with-profits, unit-linked and deposit accounts and secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement confirming amounts held to their account and movements in the year. These amounts are not included in the Pension Fund Accounts in accordance with regulation 5(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).

	Prudential		Phoenix Life		Total Investments	
	2008/09 £'000	2009/10 £'000	As restated 2008/09 £'000	2009/10 £'000	As restated 2008/09 £'000	2009/10 £'000
Value of Investments at 1 April 2009	7,551	7,934	277	187	7,828	8,121
Prior Year Adjustments	-3	-1	-	-	-3	-1
Contributions received in year*	707	668	3	3	710	671
Death in service premiums paid by members	-10	-10	-	-	-10	-10
Sales of Investments	-540	-1,014	-78	-2	-618	-1,016
Changes in Value of Investments	229	437	-15	24	214	461
Present Value of Investments	7,934	8,014	187	212	8,121	8,226

* Contributions paid by members of the Prudential scheme during 2009/10 totalled £ 667,522 (2008/09 £707,555) which included additional death in service premiums totalling £9,773 (2008/09 £10,370)

P16 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 are a financial contract between two parties, the value of which is determined by the underlying asset. Derivatives include futures, forwards, swaps and options.

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

In the table below, the 'notional value' of the stock purchases under futures contracts in the economic exposure and the value subject to market movements as at 31st March 2010.

Derivative Contract Analysis

	Contract type*	2008/09	2009/10	Expiration	2008/09	2009/10		
		Notional Value £'000	Notional Value		Market Value £'000	Market Value £'000		
INVESTMENT ASSETS								
<u>Futures</u>								
Futures – UK – Equity								
FTSE 100 Index Futures	ET	8,508		Less than 3 months	89	-		
Futures – UK – Fixed Interest								
UK Long Gilt Future	ET	<u>46,697</u>	<u>-5,279</u>	Less than 3 months	<u>878</u>	<u>7</u>		
UK Futures		55,205	-5,279		967	7		
Futures – Overseas – Equity								
Amsterdam Index Future	ET	1,240	-	Less than 3 months	31	-		
CAC 40 Euro Index Future	ET	4,317	-	Less than 3 months	9	-		
DAX Index Future	ET	4,180	-	Less than 3 months	50	-		
DJ Euro Stoxx 50 Futures	ET	2,437	-	Less than 3 months	28	-		
Ibex 35 Index Future	ET	2,599	-	Less than 3 months	15	-		
S & P/MIB Index Future	ET	2,858	-	Less than 3 months	278	-		
S & P 500 Index Future	ET	54,064	-	Less than 3 months	<u>2,779</u>	-		
S & P/TSE 60 Index Future	ET	5,192	-	Less than 3 months	158	-		
Topix Index Future	ET	12,074	-	Less than 3 months	1,257	-		
SPI 200 Index Future	ET	<u>6,871</u>	-	Less than 3 months	<u>335</u>	-		
		95,832	-		4,940	-		
Futures – Overseas – Fixed Interest								
US Treasury Bond Future	ET	-	<u>5,971</u>	Less than 3 months	-	<u>61</u>		
US 10 Year Treasury Nts Future	ET	<u>3,116</u>	<u>-</u>	Less than 3 months	<u>87</u>	<u>-</u>		
		3,116	<u>5,971</u>		87	61		

	Contract type*	2008/09	2009/10	Expiration	2008/09	2009/10
		Notional Value £'000	Notional Value		Market Value £'000	Market Value £'000
Overseas Futures		98,948	5,971		5,027	61
<u>Total Futures Options</u>		<u>154,153</u>	<u>692</u>		<u>5,994</u>	<u>68</u>
Bond Call Option – Overseas US 10 Year Treasury Nts Future	ET	-	-	Less than 3 months	8	37
Bond Put Option – Overseas 90 Day Eurodollar Future	ET	-	-	Less than 3 months	-	1
Total Options		<u>-</u>	<u>-</u>		<u>6</u>	<u>-</u>
<u>Forward foreign exchange contracts</u>	OTC	<u>102,094</u>	<u>27,211</u>	Less than 3 months	<u>1,069</u>	<u>1,304</u>
Total Derivative Assets		<u>256,247</u>	<u>27,903</u>		<u>7,077</u>	<u>1,410</u>
INVESTMENT LIABILITIES						
<u>Futures</u>						
Futures – UK – Interest Rate 90 Day Sterling LIBOR Future	ET	<u>-</u>	<u>-61,065</u>	Less than 1 year	<u>-</u>	<u>-291</u>
UK Futures		<u>-</u>	<u>-61,065</u>		<u>-</u>	<u>-291</u>
Futures – Overseas – Equity						
OMXS30 Index Future	ET	4,146	-	Less than 3 months	-109	-
Hang Seng Ind Future	ET	<u>4,698</u>	<u>-</u>	Less than 3 months	<u>-106</u>	<u>-</u>
		<u>8,844</u>	<u>-</u>		<u>-215</u>	<u>-</u>
Futures – Overseas – Fixed Interest						
Euro-Bund Future	ET	<u>-</u>	<u>-21,126</u>	Less than 3 months	<u>-</u>	<u>-114</u>
Euro-Bobl Future	ET	<u>9,610</u>	<u>-</u>	Less than 3 months	<u>-14</u>	<u>-</u>
US 10 Year Treasury Nts Future	ET	<u>-</u>	<u>30,885</u>	Less than 3 months	<u>-</u>	<u>-99</u>
US 2 Year Treasury Nts Future	ET	<u>-</u>	<u>-27,747</u>	Less than 3 months	<u>-</u>	<u>-10</u>

	Contract type*	2008/09	2009/10	Expiration	2008/09	2009/10
		Notional Value £'000	Notional Value		Market Value £'000	Market Value £'000
Overseas Futures		18,454	-17,988		-229	-223
Total Futures		18,454	-79,053		<u>-229</u>	<u>-514</u>
<u>Forward foreign exchange contracts</u>	OTC	110,965	92,513	Less than 3 months	-78	-3,899
Total Derivative Liabilities		<u>129,419</u>	<u>13,460</u>		<u>-307</u>	<u>-4,413</u>

The Total Futures initial margin for 2008/09 was £1m (£15.1m in 2008/09 and the total variation margin was -£0.6m (£-8m 2008/09). 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. In 2008/09 the Pension Fund carried out a re-organisation of its investments and Future contracts with an initial margin value of £13.4m and a variation margin on £-6.4m at the end of March 2009 were entered into to protect the Pension Fund at this time. This has now been concluded, hence the reduction in margin values.

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

P17 Investments Exceeding 5 per cent of Total Net Assets

At 31st March 2010 the Pension Fund held four (31st March 2009, four) investments that each exceeded 5 per cent of the total value of the net assets of the scheme. These are detailed as follows:

	2008/09 £'000	%	2009/10 £'000	%
GMO Developed World Equity Investment Fund	-	-	163,708	15.5
Universal Sterling Fund (Still held but exceeded 5% only in 08/09)	78,669	10.7	-	-
Black Rock (formerly Barclays) Ascent Life US Equity Fund	62,237	8.4	87,561	8.3
Black Rock (formerly Barclays Global Inv. Ascent Life European Equity Fund	47,466	6.4	70,325	6.7
Hermes Property Unit Trust	56,061	7.6	60,428	5.7
	<u>244,433</u>	<u>33.1</u>	<u>382,022</u>	<u>36.2</u>

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

Black Rock Investments are Unitised Insurance Policies

Hermes Property Unit Trust is a Property Unit Trust

P18 Changes to Comparative Figures

Last year under Contingent Liabilities and Contractual Commitments, the outstanding liability for 2008/09 for the Chandos Fund was stated as £195,000, this should have been £1,951,000.

Early retirement payments due to the Pension Fund at 31st March 2009 were previously reported as £241,666. However £159,702 had been paid to the Pension Fund immediately after year end and was not included in the total due. Comparative figures for 2008/09 have been changed in note P20 to include this amount.

P19 Potential Overpayments to Pensioners

In December 2008 the government announced they had uncovered a problem with payments to an estimated 5% of public sector pensioners as a result of an incorrect indexation of an element known as the Guaranteed Minimum Pension (GMP). The government have confirmed that any overpayments will not be reclaimed but future payments should be corrected.

We are in the process of obtaining potentially missing GMP from the Department of Work and Pensions. Once received, this information will be analysed during 2009/10 and calculations made to correct future payments and to help determine if any material overpayments have occurred. As a result no information is currently available on whether any material overpayments occurred during 2008/09.

P20 Contributions Breakdown

	2008/09 £'000	2009/10 £'000
From Employers:		
Normal	37,859	39,029
Augmentation	173	413
Deficit Funding	14,142	17,167
Other	2,490	8,861
Provision for Bad Debt	-	-150
	<u>54,664</u>	<u>65,320</u>
From Members		
Normal	16,718	17,226
Additional Voluntary	562	585
	<u>17,280</u>	<u>17,811</u>

The employers' monthly contributions and deficit funding payments based on a percentage of pensionable pay 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. The increase of £6.4m on the previous year arises from early retirement costs.

These payments follow the principles outlined in the Funding Strategy Statement. Early retirement costs are either paid in one lump sum or were historically paid over several years dependent on the status of the employer (one year remaining). When a payment is spread there is an extra costs to reflect the delay in total payment. As 31st March 2010 £4.7m (31.03.09 £0.4m) was due to the Pension Fund for early retirements. Please see note P18.

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

Included within Other Employers' Contributions is an accrual relating to the deficit funding of an employer who is no longer part of the Fund. It has been agreed that this payment can be spread over a number of years.

P21 Custody of Investments

The accounts for the year ended 31st March 2010 use the valuations for the Fund's assets provided by our custodian BNY Mellon Asset Servicing B.V. 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. It also means the various portfolios are consistent so that the same stocks, in different portfolios, are valued on the same basis. Investments are held in the name of BNY Mellon Asset Servicing B.V. but are identified as belonging to Gloucestershire County Council's Pension Fund.

P22 Administration Expenses

	2008/09 £000	2009/10 £000
On-going costs	1,139	1,203
One-off payments	2	263
Audit fees	48	49
Actuarial fees	<u>186</u>	<u>154</u>
	<u>1,375</u>	<u>1,669</u>

P23 Cash

At 31st March 2010 cash of £10.4m (£10.7m 2008/09) was invested through the County Council's short-term investments procedures.

P24 Contributions Due from Employers

A breakdown of contributions due from employers split between employees and employers contributions is as follows:

	2008/09 £000	2009/10 £000
Employee Contributions	562	510
Employers Contributions	<u>3,023</u>	<u>7,154</u>
	<u>3,585</u>	<u>7,664</u>

The increase of employers contributions of £4.1m on the previous year relates mainly to early retirement costs of £3.8m which become due at the end of March 2010.

£7.1m of unpaid contributions at year end have now been paid.

Fire Pension Accounts

Fund Account for the Year ended 31st March 2010

			2008/09 £'000	FPS £'000	2009/10 NFPS £'000	Total £'000
Total	Contributions Receivable					
	From employer					
-1,747	normal		-1,541	-196	-1,737	
-	early retirements		-	-	-	
-53	other: Ill health retirements		-35	-	-35	
	From members					
-938	normal		-796	-152	-948	
-5	other: Added Years		-6	-	-6	
	Transfers In					
-340	individual transfers in from other schemes		-	-24	-24	
-	other		-	-	-	
	Benefits Payable					
3,359	pensions		3,635	-	3,635	
1,876	commutations & lump sum		1,351	-	1,351	
	retirement benefits					
-	lump sum death benefits		-	-	-	
-	other		-	-	-	
	Payments to and on account of leavers					
-	refunds of contributions		-	-	-	
-	individual transfers out to other schemes		-	-	-	
<u>2,152</u>	Sub Total			<u>2,608</u>	<u>-372</u>	<u>2,236</u>
	Net amount payable/receivable for the year before top up grant receivable/amount payable to Central Government					
-2,152	Top-up grant receivable/payable to central government		-2,608	372	-2,236	
	Net amount payable/receivable for the year			-	-	-

Fire Pensions Accounts

Net Assets Statement for the Year ended 31st March 2010

Total £'000	FPS £'000	NFPS £'000	Total £'000
Net current assets and liabilities			
- contributions due from employer	-	-	-
-337 pension top-up grant receivable from sponsoring department	-1,164	-	-1,164
- unpaid pension benefits	-	-	-
- amount due to sponsoring department	-	-	-
- other current assets and liabilities	-	-	-
<u>337</u> amount owing to general fund	<u>1,164</u>		<u>1,164</u>
-	-	-	-

NOTES

- a) The Firefighters' pension fund is administered by the County Council. It was established for authorities in England under the Firefighters' Pension Scheme (amendment) (England) Order 2006 and is split into two schemes 'Firefighter Pension Scheme (FPS) which is for wholifetime firefighters who were employed before 5th April 2006 and have not transferred to the new scheme and the 'New Firefighters Pension Scheme (NFPS) for all wholifetime firefighters who have joined since 6th April 2006, those that have transferred from the old scheme and all Retained Firefighters. It is an unfunded scheme which is "contracted out" of the state scheme and is termed a defined benefit (or final salary) scheme. The funding arrangements for this scheme changed on the 1st April 2006. The fund is financed by contributions paid in by existing firefighters and the Fire Service with any balance receivable from or payable to the Department of Communities and Local Government, therefore there are no investment assets belonging to the Fund.
- b) Employees and employers contribution levels are based on percentages of pensionable pay set nationally by the DCLG and subject to triennial revaluation by the Government Actuary's Department.
- c) The fund has been prepared to meet the requirements of the Statement of Recommended Practice (SORP) "Code of Practice on Local Authority Accounting in the United Kingdom 2009". There are no administration charges included in the accounts and also the accounts do not take account of liabilities to pay pensions and other benefits in the future.
- d) The fund's financial statements do not take into account any liabilities to pay pensions or other benefits after the period end.
- e) The liability under FRS 17 is disclosed in note 40 on page 64 of the Notes to the Accounts.

GLOSSARY OF TERMS

Accounting Policies

Those principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes to reserves. Accounting policies do not include estimation techniques.

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.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

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.

Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Consistency

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

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority'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 authority'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 authority engage in specifically because it is an elected, multi-purpose authority. 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.

Deferred Charges

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

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.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority'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 authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority 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 fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

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.

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

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 an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Impairment

A reduction in the value of a fixed asset.

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.

Liquid Resources

Current asset investments that are readily disposable by the authority 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.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Non-operational Assets

Fixed assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale.

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 local authority 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 authority.

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.

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.

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.

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.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party, or
- (ii) the parties are subject to common control from the same source, or
- (iii) 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
- (iv) 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 an authority include:

- (i) central government
- (ii) local authorities and other bodies precepting or levying demands on the council tax
- (iii) its subsidiary and associated companies
- (iv) its joint ventures and joint venture partners
- (v) its members
- (vi) its chief officers, and
- (vii) its pension fund.

For individuals identified as related parties, the following are also presumed to be related parties:

- (i) members of the close family, or the same household, and
- (ii) 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:

- (i) the purchase, sale, lease, rental or hire of assets between related parties
- (ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund
- (iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party
- (iv) the provision of services to a related party, including the provision of pension fund administration services
- (v) 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.

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.

Soft Loans

Loans, normally to voluntary sector organisations, below the market rate of interest.

Statement of Recommended Practice (SORP)

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

Statement of Total Recognised Gains and Losses (STRGL)

This statement demonstrates how the movement in total equity in the Balance Sheet is linked to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.

Stocks

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.

Tangible Fixed Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Useful Life

The period over which the local authority will derive benefits from the use of a fixed asset.