

Statement of Accounts 2010-2011



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Foreword by Strategic Finance Director and Section 151 Officer

This document presents the published accounts of Gloucestershire County Council for the financial year ending 31st March 2011. 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. For the first time the Code is based on International Financial Reporting Standards (IFRS). 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. An increase in the number of notes reflects both a move to an IFRS – based Code and the fact that this is the first year of its introduction and various areas require more detailed explanations.

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

The move to an IFRS – based Code results in a number of significant changes in accounting practice. The key changes include:

- The accounting requirements for grants and contributions for capital purposes
- The format of the main financial statements, changes in accounting policies and additional requirements on segmental reporting
- Greater emphasis on component accounting and some reclassification of fixed assets
- Treatment of property leases
- Measuring investment properties at fair value
- Accounting for impairment losses
- Accruing for employee benefits, such as holiday entitlements

These changes have required the restatement of the Council's balance sheet at 31st March 2009 and the 2009/10 Statements of Accounts.

Financial Statements

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

A complete set of Financial Statements for the period comprise:

- Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council. The Provision of Services line shows the true economic cost of providing services, more details of which can be seen in the Comprehensive Income & Expenditure Statement.

- Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement.

- Balance Sheet as at end of the period

The Balance Sheet shows the value of the Council's assets and liabilities as at the Balance Sheet date. Reserves are reported as either "usable reserves" or "other reserves". The Council cannot use "other reserves" to provide services.

- Cash Flow Statement

This statement shows the changes in cash and cash equivalents during the reporting period by showing how the Council generates and uses cash and cash equivalents by classifying cash flows as either operating, investing or financing activities. The amount of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income, or from recipients of services provided by the Council.

- Notes which summarise significant accounting policies and other explanatory information.

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 2010 Code 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 Strategic Finance Director (S151 Officer), is considered by the Audit Committee.

The Strategic Finance Director (S151 Officer) is required to certify that the accounts present a true and fair view.

Summary of the 2010/11 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 add value to existing assets or 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.

Using its capital and revenue resources the Council provides a wide range of services e.g. care and support for older people, people with learning disabilities or mental health problems, support and care for children and families, the Fire and Rescue service, repairing and improving roads, to name a few.

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

- Gloucestershire Family Information Service (FIS) received a Families First Award.
- Our £17 million bid to the Department for Transport (DfT) for the Elmbridge Transport scheme has successfully moved to the next stage with government making a final decision on the scheme in September 2011. Department for Transport has provided the Council with £3.6 million to help repair winter damaged roads.
- National recognition for being a high performer around providing short breaks for children with disabilities.

- Care Quality Commission (CQC) awarded the Council's adult social care services grade three out of four overall, confirming that the Council is consistently exceeding the required standards.
- We have been awarded £6.1 million for our achievements against our Local Area Agreement (LAA).
- The Council has received final confirmation of government funding for the building of four new community fire stations and a Life Skills Centre.
- Gloucestershire pupils achieved excellent results in their GCSEs in 2010 with all but one of the county's schools exceeding the new government's target of 35% of students achieving at least five GCSE passes at grades A*-C (including English and Maths)
- Effective business continuity arrangements have enabled the Council to continue to deliver services during recent adverse weather conditions and flu.
- The Council has been ranked 24th in the annual Stonewall Top 100 Employers Workplace Index - up 12 places from last year's ranking.

Revenue Expenditure

The original revenue budget for 2010/11 was £407.264 million. Within the constraints of the limited funds available the Council sought to move resources into the higher priority areas, taking account of key priorities maintaining low Council Tax levels, minimising service reductions and eliminating wasted resources. This resulted in over £21 million of additional investment, including over £13 million targeted at the care and protection of elderly and vulnerable people (including children). A significant part of the resources shift again came from efficiency and other savings totalling over £12 million, demonstrating the Council's commitment to get the most out of funds available and minimise service reductions.

Inherent within the budget were the following factors:

- Account was taken of prevailing spending trends and, where known, costs were built into the 2010/11 budget, particularly in relation to demographic pressures in children and adult services.
- Budget risks were explicitly considered when preparing the budget. The highest risk areas continued to be demand led services, especially care for elderly and vulnerable people where numbers of clients continue to rise, home to school transport which is exposed to significant cost pressures and agency placements for vulnerable children.
- Provision was made for pension increases and inflationary pressures.

The revenue budget for 2010/11 was subsequently decreased by £5.01 million, mainly as a result of over-spends carried forward from 2009/10 of £2.42 million and reductions to reflect mid-year Government grant reductions to help address the national financial position, to give a revised budget total of £402.256 million. The Council's actual expenditure in 2010/11, net of income, totalled £394.697 million, giving an under spend of £7.6 million. Subject to Cabinet approval in July, this under spend reduces to a net under spend of £0.5 million (around 0.12% of the budget), following transfers to earmarked reserves of £7.1 million, of which £5.0 million will be used for debt redemption. The remaining £0.5 million under spend will be transferred to general balances. Uncommitted general balances at 31st March 2011 were £15.89 million compared to £11.75 million at the start of the year. The level of balances is now within the 4% - 6% of net budget target range outlined for reserves in the Council's Medium Term Financial Strategy.

It is important to note that the Statement of Accounts and the Directorate spend/management accounts are prepared on different bases. The Directorate outturn under-spend, after transfer to reserves, is £0.5 million against a budget adjusted for approved over-spend carry forwards (£2.42million), which are repaid through transfers to reserves. After adjusting for carry forwards the actual surplus for the year is £2.92 million. The statement below reconciles the two positions.

Reconciliation between reported Directorate Outturn and Statement of Accounts for 2010/11.

	£'000	£'000
County Fund		
Balance as at 31 st March 2010	11,750	
Balance as at 31 st March 2011	<u>15,894</u>	
Increase in County Fund balance		<u>4,144</u>
Outturn		
Budgeted Contribution to County Fund	1,224	
Reported Outturn	7,559	
Proposed Reserve Movements	-7,059	
Carry forwards repaid from revenue during the year	<u>2,420</u>	
		<u>4,144</u>
Statement of Accounts		
Reported Income and Expenditure figure	125,444	
Reported movement on General Fund balance	-104,813	
Transfers from County Fund to earmarked reserves	<u>-16,487</u>	
		<u>4,144</u>

Balance Sheet Position

Our net worth has moved from a £99 million deficit (as restated) to a £260 million surplus between 2009/10 and 2010/11. The gains and losses in our net worth are shown in the Movement of Reserves Statement and the Balance Sheet.

Change in net worth on the Balance Sheet is mainly due to a £207 million gain on Pension Fund assets and liabilities and a £127 million surplus on the 2010/11 Comprehensive Income & Expenditure Statement, together with a £26 million increase to reflect revaluation of assets.

The decrease in the net pension fund liability reflects improved market conditions. The Pension Fund deficit does not place an immediate burden on the Council's reserves but simply provides a snapshot (at 31st March 2011). The deficit on the fund will be actively managed and addressed 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 surplus on the Comprehensive Income and Expenditure Statement reflects a movement of £112 million for IAS19 pension contribution treatments and recognition of an additional £31 million for capital grants and contributions.

While these surpluses have significantly improved 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 essentially remains the same, which is in a relatively healthy and stable position.

Capital Expenditure

For Council services the December forecasted payments for 2010/11 totalled £109.9 million. The actual spend was £111.8 million, giving an over spend against forecast of £1.9 million.

This expenditure was financed by a combination of borrowing, grants, contributions and revenue. Details can be found in Note 31. A new Variable Rate Loan of £15 million was raised during 2010/11 with internal borrowing of £9.9 million used to fund the remaining capital programme. Total loans outstanding at the end of the year were £349.7 million (principal only) and the costs of servicing debt in the year were £17.9 million.

The Council's underlying need to borrow is measured by the Capital Financing Requirement, which at 31st March 2011 was £437.8 million (Note 31). The current debt portfolio (principal amounts only) is £349.7 million leaving an internally borrowed position of £88.1 million. This figure is maintained through the use of balances and reserves, and is continually monitored to ensure that it is sustainable.

Pension Liabilities

The liability shown in connection with the defined benefit pension scheme has decreased by £312 million. The main reasons for this are the change from the use of the Retail Price Index (RPI) to the Consumer Price Index (CPI) for calculating future year's pension increases along with positive asset returns and falling long term inflation expectations. Further information can be found in Note 37 and the Pension Fund Accounts.

Impact of the Iceland Banks Collapse

In early October 2008, the Icelandic banks Glitnir and Landsbanki collapsed along with the UK subsidiary Heritable. The Council had £12.5 million deposited with these institutions, with varying interest rates and maturity dates. £8.9 million is deposited with Glitnir, £2.0 million with Heritable and £1.6 million with Landsbanki.

The current position with regards to recovery of the sums deposited varies between each institution:

- Heritable – recovery is now expected to be 85%. Repayments received in 2010/11 amounted to £0.320 million. In total £1.194 million, 59.7%, has been repaid to date.
- Glitnir – A ruling by Iceland's district court means that deposits placed by UK wholesale depositors will now have priority in the winding up of Glitnir bank. However, an appeal has been lodged by other creditors with the Supreme Court. If priority status is confirmed, as expected, recovery is likely to be 100%. If non-priority status is awarded, recovery is expected to be 29%.
- Landsbanki - A ruling by Iceland's district court means that deposits placed by UK wholesale depositors will now have priority in the winding up of Landsbanki bank. However, as in the case of Glitnir, an appeal by other creditors has been lodged with the Supreme Court. If priority status is confirmed 95% recovery is expected, if non-priority status is awarded recovery is expected to be 38%.

The 2010/11 accounting treatment for the Icelandic banks has been issued by CIPFA. Under the treatments laid down, the total impairment for 2010/11, which the Council is required to make has been reduced to £2.53 million. The Council has taken advantage of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009, which allowed the Council to postpone the impact of the impairments required by accounting practice until 2010/11. These Regulations have now come to an end and all future impairment losses will be written-off directly to the Comprehensive Income & Expenditure Statement.

Note 15 explains the accounting treatment and impairments in more detail.

The Future

This year, for the first time, the Council's vision, values, aims and medium term priorities were brought together into a single Council Strategy. These were previously set out separately in the Corporate Strategy and Council Plan. The reasons for bringing these two documents together were:

- To simplify the Council's business planning framework and reduce the number of plans
- To provide a single, strategic, medium term view of the Council's business
- To align the timescale for business planning to that for financial planning so that the Council Strategy and Medium Term Financial Strategy (MTFS) are developed in tandem.

The Council Strategy sets out the longer term aims and ambitions for Gloucestershire and outlines the priorities and programmes which underpin these aims. A copy of the Strategy can be found on our website www.goucestershire.gov.uk

The Council has developed a budget for the next four years, which reflects reductions in funding, service growth pressures and legislative changes. The budget includes plans to deliver more than £114 million of savings over the period, under the Meeting the Challenge initiative.

The Council continues to work closely with partner organisations. "The Leadership Gloucestershire" board brings together leaders from the County and District Councils, the Health Sector and Police, and will lead on our commitment for a '**One Gloucestershire**' approach to the public sector.

International Financial Reporting Standards (IFRS)

The 2010/11 financial statements have been produced under International Financial Reporting Standards (IFRS) for Local Government.

The adoption of IFRS required very significant changes to the financial statements, with the changes fully retrospective and requiring the financial statements for 1st April 2009 and 1st April 2010 to be restated.

A considerable amount of additional work has been necessary to capture data and compile the accounts in accordance with the new accounting standards. I would like to express my sincere thanks to all those involved in this major exercise.

Jo Walker
Strategic Finance Director & Section 151 Officer

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31st March 2011. The accounts have been prepared in accordance with the *Code of Practice on Local Council Accounting in the United Kingdom 2010/11: Based on International Reporting Standards* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) (referred to as "the CODE" in the following notes) and the *Accounts and Audit Regulations 2011*. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

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

Cash and Cash Equivalents

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

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

Prior Period Adjustments / Changes in Accounting Policies

As a result of the conversion of the accounts to IFRS a number of new accounting policies and amendments to existing accounting policies have been necessary. This has resulted in a number of prior period adjustments. This is shown in the reconciliation in impact of the adoption of International Financial Reporting Standards (IFRS).

- *Voluntary Controlled Schools brought on to balance sheet*

The Council has brought on all voluntary controlled schools to our fixed asset register as at 1st April 2009 to the value of £128.735 million. Despite the Council not being the legal owners of the Voluntary Controlled Schools they have been included in the asset register due to substance over form where the Council have a control over the schools and will have future economic benefits

- *Provision for Accumulated Absences*

Under IFRS it is necessary to account for holidays and similar benefits that employees receive but have not yet taken at year end

- *Asset reclassification*

Under IFRS the Council are required to add a new classification called Assets Held For Sale (AHFS). There is a specific criteria that the assets must meet including being available to the open market and expecting to be sold within 12 months. AHFS do not get charged depreciation and are to be valued to the lower of carrying amount and fair value less costs to sell. The Council have moved the assets out of existing classifications of Property, Plant and Equipment (PPE) and into the new classification reversing any depreciation that had been charged. The Council has restated 2009/10 accounts so that there are comparative figures for 2010/11 as per IFRS requirements.

- *Removal of deferred Grant & Contributions accounts*

Any balances on the Government Grant Deferred Account and Contributions Deferred Account will represent income which is not subject to a condition; these amounts have already been used to fund capital expenditure.

Applying the Code retrospectively, these amounts would have been recognised in the Comprehensive Income and Expenditure Statement by 31st March 2009, and reversed out to the Capital Adjustment Account. On transition to the Code, any balances on the Government Grants Deferred Account (or equivalent) have been transferred to the Capital Adjustment Account.

Charges to Revenue for Non-Current Assets

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

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

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

Events after the Balance Sheet Date

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

Where an event after the balance sheet date occurs which provides evidence of conditions that existed at the balance sheet date the Statement of Accounts will be adjusted. Where an event after the balance sheet date occurs which is indicative of conditions that have arisen after the balance sheet date, adjustment will not be made. But where a category of events would have material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination Benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of a officer or group of officers or making an offer to encourage voluntary redundancy.

Post Employment Benefits

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

Employees of the Council are members of four separate pension schemes:

- The Local Government Pensions Scheme,
- The Firefighters Pensions Scheme,
- The New Firefighters Pension Scheme, and
- The Teachers' Pension Scheme.

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. The accounting for both these schemes complies with the CODE and the IAS19 adjustments are detailed in the consolidation notes to the accounts.

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 CODE, the Council is reporting the Scheme as if it were a defined-contribution scheme.

Financial Instruments

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

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

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable and interest charged to the comprehensive income and expenditure statement is the amount payable for the year in the loan agreement.

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

Where, in previous periods, premiums and discounts have been charged to the comprehensive income and expenditure statement, regulations allow the impact on the general fund balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term remaining on the loan against which the premium was payable or the discount receivable. The reconciliation of amounts charged to the comprehensive income and expenditure statement to the net charge required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

Financial Assets

Financial assets are classified into two types:

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

Loans and receivables

Loans and receivables are initially measured at fair value and are carried at their amortised cost. Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable and interest credited to the comprehensive income and expenditure statement receivable for the year in the loan agreement.

Non-current Assets held for sale

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

Charges in fair value are balanced by an entry in the available for sale reserve and the gain or loss is recognised in the surplus or deficit on the revaluation of available for sale financial asset. The exception is where impairment losses have been incurred. These are debited to the financing and investment income and expenditure in the comprehensive income and expenditure statement, along with any net gain or loss for the asset accumulated in the reserve.

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement along with an accumulated gains or losses previously recognised in the available for sale reserve.

Where fair value cannot be measured reliably the instrument is carried as cost less any impairment losses.

Government Grants and Contributions

Revenue grants received are credited to the Comprehensive 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 to the foot of the Comprehensive Income and Expenditure Account.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Inventories and Work in Progress

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

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

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. The Council do not currently hold any investment properties.

Jointly Controlled Operations and Jointly Controlled Assets

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

activity of the operation. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

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

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

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

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

The Council identified two leases that met the criteria of a finance lease, however the joint value came to only £123,000 which is below our trivial amount therefore these remain classified as operating leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

The Balance Sheet does not include the value of vehicles and equipment held under operating leases since they do not pass into the ownership of the Council. Annual lease rentals have been charged to service revenue accounts.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The Council did not find any finance leases where they are the lessor.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The Council have several operating leases for property and vehicles that are recorded in the asset register and rental income credited to the Comprehensive Income and Expenditure Statement.

Overheads and Support Service Costs

These costs are charged to service areas using a variety of apportionment bases appropriate to the particular service provided, in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (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 Comprehensive Income and Expenditure Account.

Tangible Assets - Property, Plant and Equipment

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

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

Non-current 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 5.

Assets are assessed at year end as to whether there is any indication that an asset may be impaired. Impairment is caused either by a consumption of economic benefits or a general fall in prices. The Council have not adjusted for Capital impairment in 2010/11 as explained in Note 35.

Upward revaluations are credited to the Revaluation Reserve. Where a downward revaluation occurs (an impairment) if this is due to a general change in property prices, the amount is debited to the Revaluation Reserve up to the value of previous accumulated revaluation gains. Any further devaluation below depreciated historic cost is charged to the Comprehensive 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 Comprehensive 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 Comprehensive Income and Expenditure Account.

In the Comprehensive Income and Expenditure Account service revenue accounts are charged with depreciation on all operational assets (where appropriate) except land & assets held for sale, i.e. all tangible non-current 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 Comprehensive 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 non-current 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.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Componentisation of Capital Assets

The objective of component accounting is to follow proper accounting practice by ensuring that PPE is accurately and fairly included in the Councils Balance Sheet and that the Comprehensive Income and Expenditure Statement properly reflects the consumption of economic benefits of those assets (i.e. the cost of their use) over their individual useful lives, through depreciation charges.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. Significant components will be accounted separately which have different useful lives and/or depreciation methods.

Where a component is replaced or restored, the carrying amount of the old component shall be derecognised and the new component reflected in the assets carrying amount, subject to the recognition principles of capitalising expenditure. Derecognition of a component from the Balance Sheet takes place when no future economic benefits are expected from its use. Such recognition and Derecognition takes place regardless of whether the replaced part has been depreciated separately.

The Council has identified 4 component groups that were used as a standard template to carry out valuations as shown below:

- Land – No depreciation
- Host – Depreciate over 41 years
- Services – Depreciate over 22 years
- Externals – Depreciate over 39 years

Host = Frame, floors, roof, windows, walls and doors

Services = Internal water installations, sanitary ware, heating, ventilation, electrical, lifts, sprinklers and communications

Externals = Drainage, roads, pavements, fences and external utility pipes.

The Council has set a de-minimus of £1m per asset, therefore any individual asset that is due for revaluation, has been acquired or enhanced expenditure above £1m during 2010/11 has been split into components and depreciation calculated using the varying expected useful lives.

There are no requirements to apply this retrospectively, and the Council are able to roll this out over our 5 year rolling valuation programme.

Depreciation/Amortisation

Assets, except land and assets held for sale, 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
Internally developed Software	Up to 10 Years

Basis for Redemption of Debt

The Council finances a proportion of its capital investment by raising loans. In accordance with the Local Authorities Capital Financing and Accounting Regulations 2003 as updated, the Comprehensive Income and Expenditure 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, and an asset life methodology for debt from 2008/09 whereby the charge is equal over the life of the asset (Notes 1 & 15).

Intangible Assets

Intangible assets are non-financial non-current 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.

Donated Assets

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

The Council has identified one donated asset which is Kingsway Primary school during 2009/10, the conditions have been met therefore the asset has been recognised in the Comprehensive Income & Expenditure Statement as income for the restated accounts.

After initial recognition, donated assets shall be revalued and depreciated in line with the Code.

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 Country Park, Coaley Peak Viewpoint & Picnic Site 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.

Private Finance Initiative (PFI) scheme

PFI contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the services passes to the PFI contractor.

The Council, in partnership with Avon Fire Authority and Devon and Somerset Fire Authority has invested in a PFI project to provide a Fire and Rescue Service training centre (see Note 34). The Government provides revenue support to the project in the form of grants (PFI credits), and the three authorities finance the balance by making contributions from within 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 is operated whereby surplus Government grants and Authority contributions in the early years were invested and used to reduce contributions in the later years. From 1st April 2005 a new system of grant payment was introduced which makes 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 CODE require PFI and similar contracts to be accounted for in accordance with IFRIC 12. As a result of this our share of the asset has been brought onto the balance sheet. Details are included in Note 34.

Provisions

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

Details of provisions are shown in Note 14.

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

Contingent Liabilities

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

Contingent Assets

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

Landfill Allowance Scheme (LATS)

LATS whether allocated by DEFRA or purchased from another waste disposal authority are recognised as current assets and are initially measured at fair value. LATS allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value. As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured by the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

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 Notes 2 & 15. Certain reserves are kept to manage the accounting processes for tangible non-current assets and retirement benefits. These reserves do not represent usable resources to the Council, and are explained further in the appropriate policies and notes to the accounts.

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

Exceptional Items

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

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

Heritage Assets

The adoption of FRS 30 Heritage Assets by the Code will result in a change in accounting policy. The Council will be required to recognise Heritage Assets as a separate class of assets for the first time in 2011/12 financial statements where material in accordance with FRS 30.

The definition of a Heritage Asset is “a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture”.

The Council does not currently hold any Heritage Assets on its balance sheet and will undertake a review of assets that may be classified as heritage.

Critical Judgements in applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has money deposited with the Icelandic banks that are in administration. A final decision by the courts is still outstanding for Landsbanki and Glitnir Banks as to whether the Council will have the status of a preferred creditor. The Council has followed LAAP 82 (Update 4) which assumes priority status will be awarded. A separate note detailing expected repayments and the level of impairment is included at Note 15.

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

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

- Useful lives and valuations of properties, which are estimated by qualified valuers,
- Provisions, which are estimated using latest available information,
- Bad debt levels, which are estimated using past trends and experience,
- The liability for future pension payments, which are estimated by qualified actuaries.

Statement of Responsibilities

The Council is required to:

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

The Strategic Finance Director Responsibilities

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

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

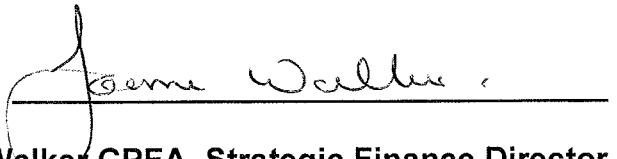
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority CODE.

The Strategic Finance Director has also:

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

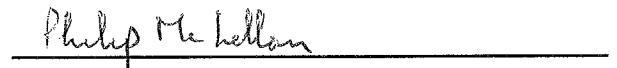
Certification

I certify that the Statement of Accounts 2010/11 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 2011.



Jo Walker CPFA, Strategic Finance Director
26th September 2011

The Audit Committee of the County Council approved the Statement of Accounts on 26th September 2011.



Phil McLellan

Councillor Phil McLellan, Chairperson
26th September 2011

Independent auditor's report to Members of Gloucestershire County Council

Opinion on the Council and firefighters' pension fund accounting statements

I have audited the accounting statements and the firefighters' pension fund accounting statements of Gloucestershire County Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Impact of the adoption of IFRS Statement, Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and 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. These 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Finance Director and auditor

As explained more fully in the Statement of the Strategic Finance Director's Responsibilities, the Strategic Finance Director is responsible for the preparation of the Council's Statement of Accounts, including the firefighters' pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council and Pension Fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Gloucestershire County Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Finance Director and auditor

As explained more fully in the Statement of the Strategic Finance Director's Responsibilities, the Strategic Finance Director is responsible for the preparation of the pension fund's 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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the pension fund's accounting statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Conclusion on Council's 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Gloucestershire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Martin Robinson
Officer of the Audit Commission
Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SR

AUDIT CERTIFICATE – GLOUCESTERSHIRE COUNTY COUNCIL

Issue of audit opinion on the accounting statements

In my audit report for the year ended 31 March 2011 issued on 26 September 2011, I reported that, in my opinion, the accounting statements:

- gave a true and fair view of the state of Gloucestershire County Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- gave a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Issue of audit opinion on the pension fund's accounting statements

In my audit report for the year ended 31 March 2011 issued on 26 September 2011, I reported that, in my opinion, the pension fund's accounting statements:

- gave a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Issue of value for money conclusion

In my audit report for the year ended 31 March 2011 issued on 26 September 2011, I reported that in my opinion, in all significant respects, Gloucestershire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Certificate

In my report dated 26 September 2011, I explained that the audit could not be formally concluded on that date until consideration of matters brought to my attention by local authority electors had been completed. These matters have now been dealt with. No other matters have come to my attention since that date that would have a material impact on the financial statements on which I gave an unqualified opinion and value for money conclusion.

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



Martin Robinson

Officer of the Audit Commission
Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SR

29 May 2012

Gloucestershire County Council
Annual Governance Statement 2010/11

1 Scope of Responsibility

The County 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 County 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 County 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 County 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.”

This Annual Governance Statement explains how the County Council has complied with the code and how it meets the requirements of the Accounts and Audit Regulations ~~GEFFÈ~~

2 The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the County Council is directed and controlled, and its activities through which it accounts to, engages with, and leads the community. It enables the authority 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 County Council's policies, aims and objectives, to evaluate the likelihood of these risks being realized and the impact should they be realized, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the County Council for the year ended 31st March 2011 and up to the date of the consideration of the Accounts by the Audit Committee on 28th June 2011.

3 The Governance Framework

The principles of the county council's governance arrangements are focused on:

- 1 The purpose of the authority and on outcomes for the community, 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 authority, 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 GCC 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 GCC has :-

- Set out the key documents and processes which incorporate its governance system.
- Sought independent assurances from external assessments where available.
- Obtained detailed risk based assurance statements from Directors covering all areas of the business, 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.

- 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 the Audit Committee.
- Reviewed the effectiveness of Internal Audit.
- Reviewed the effectiveness of a sample of the key corporate governance processes highlighted.
- Reviewed the control and governance arrangements relating to the pensions 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 (Financial Accounting, Audit and Service Support), 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. This audit, which examined the processes followed, concluded that the Head of Finance, in his capacity as the Chief Internal Auditor for the authority, 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, since best practice guidance has not changed, the same procedures were followed in relation to the 2009/10 and 2010/11 Annual Governance Statements.

We can also now confirm that the processes used to formulate the 2010/11 Annual Governance Statement are consistent with the “Application note to delivering good governance in Local Government : a framework” issued by CIPFA in March 2010.

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 GCC, both at officer and member level, 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 2010/11, further key assurance has been obtained from the most recent Annual Audit Letter produced by the External Auditors in January 2011. In this letter the auditor sets out his responsibilities for giving an assessment on how effectively the authority:

- Manages finances
- Governs the business, and
- Manages resources.

In relation to the above, the external auditor issued an unqualified opinion, stating that the council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

One key external performance measure received each year comes from the Ofsted inspections of children's services.

During 2010/11 the authority received two reports from Ofsted relating to their annual assessment of children's services, and their inspection of Safeguarding and Looked after Children Services. The key findings in relation to these areas are summarised below.

Annual Rating

Ofsted's annual assessment of children's services found that Gloucestershire was "performing well". This judgement was based on the various service inspections that Ofsted carry out (including inspections of schools, colleges, looked after children services and early years providers) as well as national indicators.

Ofsted praised post 16 education, noting that 80% of schools/colleges are 'good' or better. They noted that the large majority of primary schools, secondary schools, special schools, pupil referral units and children's homes were at least 'good'. Children in the reception year and at the end of primary school do better than the average for similar areas, and GCSE results for 16 year olds are in the top 25% of all local authorities in England. They also noted that the number of 16 to 18 year olds in education, training or work was well above average for some years and the number of young women under 18 getting pregnant was below average, having reduced by 30% in the ten years to 2008.

Inspection of Safeguarding and Looked after Children Services

The inspectors concluded that the overall effectiveness of safeguarding was inadequate; the effectiveness of the health contribution to safeguarding was judged as good. The overall effectiveness of services for looked after children was judged as adequate. Inspectors also make judgements about capacity to improve which indicated the degree of confidence they have in local services to plan and deliver any necessary changes. In respect of both safeguarding and LAC, this was judged to be adequate, i.e. satisfactory.

The detailed report raised many issues which had already been identified by the council and its partners and, as acknowledged by inspectors, plans were already in place at the time of the inspection to address and drive improvement. Inspectors stated that 'the basic building blocks' were in place and noted that there was evidence of recent improvement, but that it was too recent to give complete assurance that it will be sustained in the long term. Inspectors praised the commitment of elected members, demonstrated by the significant investment in additional social work capacity in 2010/11. They also acknowledged that the legacy of practice would continue to influence the experience of individual children for some time to come. Services for looked after children were judged, overall, to be effective, however there were particular issues to address in respect of corporate parenting, health assessments and pathway planning for care leavers.

In terms of addressing the key points emanating from this inspection, a change programme was already in place at the time of the inspection, led by the Joint Director for Operational Services. This programme already included actions that address many of the recommendations within the report.

However, following the report emanating from this inspection a very detailed action plan was produced, in conjunction with partners, which addressed the seven areas for improvement which required immediate action, and the other improvement points which needed to be addressed within three and six month timescales.

This action plan was considered by the Children and Young People Overview and Scrutiny Committee in March 2011, at which monitoring arrangements designed to ensure that all issues were addressed effectively going forward were agreed. This Committee will now be overseeing the improvements which are being led by the new Director for the commissioning of Children's services.

The findings of this external review are 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 continue to operate in the way that they did when last reviewed as being "strong" under the last "Use of Resources" assessment. A robust system of risk registers exist, with detailed strategic risk management reports being submitted to, and considered by, the Corporate Management Team on a quarterly basis. In addition risk management remains an integral part of the strategic performance reports and business plans within the Authority.

The Annual Risk Management report for 2010/11 is being submitted to the Audit Committee in June 2011, the same meeting that is considering this Annual Governance Statement.

Cabinet and Individual Cabinet Members decision making arrangements / Scrutiny arrangements

Cabinet and Individual Cabinet Members decision making arrangements continued to operate effectively during 2010/11, with the enhancement of the inclusion of members and public questions on all Cabinet agendas, designed to further improve accountability and openness within the authority.

In terms of Scrutiny, eleven task groups have been looking at specific issues during 2010/11. The new process that allows task groups to be set up more quickly by lead members of the Overview and Scrutiny Management Committee rather than waiting until the next meeting has worked well. Recommendations from task groups are monitored after 6, 12 and 18 months, and progress reports were presented to the Overview and Scrutiny Management Committee in September 2010 and April 2011.

During the year Cabinet decisions relating to the library service policy and the residual waste project were "called in" under the agreed "call in" procedure designed to ensure the effectiveness of the decision making process. The decisions of Cabinet in relation to both issues were upheld.

Financial management and reporting arrangements

In his latest Annual Audit Letter the External Auditor gave the following opinions in relation to financial management arrangements:

Criteria	Adequate Arrangements?
Managing finances	
Planning for Financial Health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes

During 2010/11 the regular financial monitoring reports presented to Cabinet and Scrutiny Committees highlighted the significant budget pressures in relation to the care of adults. This resulted in significant overspends being forecast in these areas from July 2010 onwards, with the result that a detailed budget recovery plan was implemented by management and lead members in relation to the Community and Adult Care Directorate (CACD). This proved to be effective, with the eventual outturn position for CACD being an under spend in the order of £0.7 million, with an overall under spend position in the order of £6 million being achieved for the authority as a whole.

Although significant progress was achieved in relation to the costs of caring for Adults during 2010/11, this remains a high risk area, hence its inclusion in the key governance issues arising in section 5 of this statement.

Audit arrangements, including the Audit Committee

Effective audit arrangements operate within the council, provided by an in house internal audit service and external Audit provided by the District Audit Service. 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 2010/11 the external auditors found two material weaknesses in the system of internal control within the authority. The first concerns journal accounting entries and the second the control of starters and leavers. Both of these issues have been addressed as highlighted in section 5 of this statement.

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 2010/11 the following “limited assurance” internal audit reports were followed up by the Audit Committee:

- Access to SAP
- Information Security
- Internet Usage
- Major Transport Contracts
- Complex Needs (Children’s Social Care)
- Domiciliary Care
- School Deficit budgets

The majority of these audit reports have now been dealt with the satisfaction of the Audit Committee, although further reports back to the committee are still required regarding domiciliary care, transport contracts and school deficit budgets.

Given that Internal Audit and the Audit Committee form an integral part of the County Council's overall governance framework, and are an important source of assurance in respect of the County Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial performance, their effectiveness was reviewed in relation to the 2010/11 financial year.

The Audit Committee is comprised of 6 members with a Chairman who is not part of the Executive. Its primary role, as laid out in the Constitution, is to provide independent assurance of the adequacy of the risk management framework and the associated control environment; independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The review of the Audit Committee, which was led by the Head of Finance responsible for the Internal Audit function and the Chair of the Audit Committee, used the CIPFA Toolkit for Local Authority Audit Committees to undertake a self assessment of existing arrangements, against recommended best practice. This review concluded that the Audit Committee was continuing to fulfil the majority of the best practice requirements set out by CIPFA, and only identified a number of relatively minor improvement points which are being addressed.

The review of the effectiveness of Internal Audit was undertaken using the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. This Code contains a checklist (containing around 190 detailed questions), which has been used by Internal Audit as the basis for the self assessment.

The self assessment against the Code of Practice, which was reported to the Audit Committee in June 2011, has identified that the internal audit service fully meets the requirements of the Code. However, to enable continued improvement, it has been agreed to take the opportunity of applying LEAN principles in order to streamline Internal Audit's activities to further enhance efficiency and effectiveness of the function.

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 2010/11. 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, training 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 2010/11

As highlighted in the annual report, responding to and learning from complaints was an important element of the corporate governance of an organisation, and the Local Government Ombudsman's annual letter was a very significant indicator of the quality of the Council's governance arrangements. The key points outlined were that 42 enquiries and complaints had been received by the Ombudsman, which was down from 45 the previous year. The majority of these were in relation to education and transport. 27 of the 45 were passed to the investigative teams, 26 of which were dealt with as complaints, of which 22 either were not investigated or were discontinued. One compliant for maladministration was upheld and the service area has addressed the learning points from this complaint. 4 complaints were locally settled and the total compensation paid was £600.

Partnership Arrangements

Some assurance in relation to partnership working arrangements can be obtained from recent Annual Audit letters which commented that the Council, with partners, had developed good strategic plans to improve key issues in the county, and was successfully working with partners to improve its capacity and improve outcomes for local people.

Evidence of effective partnership working in relation to 2010/11 can be gained from the councils involvement, as the accountable body, in the Local Area Agreement, under which we worked jointly with partners towards agreed objectives for local public services, which were the subject of agreed performance targets. Following this joint working the partnership as a whole received £6.1 million in performance reward grant, of which GCC received £2.2 million.

Assurances from Directors

As part of this review of the effectiveness of Governance arrangements during 2010/11, 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 improvement points identified by internal audit in relation to the letting of certain contracts within the Environment Directorate. This issue has been included within section 5 of this statement, from which it can be seen that improvements have already been implemented and reported to the Audit Committee.

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 County Council website, namely the annual report, statement of investment principles, funding strategy statement, communications policy statement, governance policy statement, governance compliance statement, pension administration strategy and the actuarial valuation report. The latest triennial actuarial review was in respect of the fund as at 31 March 2010 and the report was published in March 2011, as a result new employer contribution rates have been agreed from 1 April 2011. For tax raising authorities a stabilisation approach fund has been introduced. Audit are satisfied that all published statements are satisfactory and changes have been approved by the Pensions Committee.

The Governance Compliance Statement was last revised in August 2009. The statement identifies the level of compliance against best practice principles.

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 authority 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. There were no adverse opinions

On 10th May 2011 an Investment Management Agreement was signed with CB Richard Ellis Investors, as the Fund's newly appointed UK Property Multi Manager. As a result of this new appointment, future investment in property will be spread over two fund managers, rather than just one. The procurement, in accordance with EU legislation, was managed by the Hymans Robertson, acting as advisors to the Pension Fund's advisors. The appointment decision was made by the Pension's Committee 18th February 2011. Internal Audit have examined the supporting paperwork and found it to be satisfactory.

Performance Monitoring

The fund managers report regularly on their performance to the Pensions Committee. In addition the custodians measure the performance against the agreed benchmarks and this is reported to the committee. GCC have also engaged a specialist company who independently measure the performance of the funds. Some of the fees paid to fund managers are performance based.

During 2009/10 GCC commissioned Mercer Sentinel, an independent group, to review its investment operations, including the performance of the Fund's global custodian. They produced a report of their findings in February 2010. Generally there were no significant findings but as a result of their report the Pension Fund administrators have negotiated a reduction in the fees payable to the custodian.

The Pension Committee also receives advice on the financial markets, the strategic asset allocation and fund management from an independent investment advisor. The fees payable to this advisor have been benchmarked against seven other pension funds and were revised in line with the others.

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

Management of funds risks & controls

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

- financial;
- demographic;
- regulatory; and
- governance.

Mitigating controls are documented against each risk.

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

Pension Fund Administration

In April 2008 changes to the Local Government Pension regulations introduced banding of contribution rates. Pension fund administrators developed a system to validate that the correct contributions are deducted for all employees, comparing pay with deductions. This was successfully introduced for all employers other than those using the GCC SAP payroll system. A report has now been developed to validate SAP payroll contributions and is currently being tested, minor problems are being resolved and it is anticipated that this will be operational for 2011/12.

Considerable work has been undertaken on bringing the data matching exercise, which compares pension and payroll records to ensure the absence of ghost pensioners and incorrect pensions payments, up to date. Just under 600 cases have been resolved resulting in just 14 cases where either an under or overpayment had occurred. As anomalies are investigated processes are put in place to prevent future similar matches.

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. In May 2010 an Administration Strategy for the Pension Fund was approved by the Pensions Committee, this enabled the Fund to charge employers for additional costs incurred by the Fund as a result of such failures.

The policy was updated in February 2011, increasing the charges to employers.

We are currently auditing pension payments, drawing our sample for testing from those who left GCC under Voluntary Early Retirement. The testing is complete, no errors have been found and system controls are of a high standard.

The County Pension Fund participates in the annual CIPFA benchmarking club, which compares them to 63 other authorities. This shows that the total costs per member are below average, in particular staffing costs.

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 Issue

The inspection of Safeguarding and Looked after Children Services concluded that the overall effectiveness of safeguarding was inadequate. The report emanating from this inspection identified seven areas for improvement which required immediate action, and the other improvement points which needed to be addressed within three and six month timescales.

Action taken / Proposed

A detailed action plan has been produced which addresses all of the improvement points identified.

This action plan was considered by the Children and Young People Overview and Scrutiny Committee in March 2011, at which monitoring arrangements designed to ensure that all issues were addressed effectively going forward were agreed. This Committee will now be overseeing the improvements which are being led by the new Director for the commissioning of Children's services.

2 Issue

Although significant progress was made in 2010/11 to address an underlying budget problem within Community and Adult Care as regularly reported to Cabinet and Scrutiny, significant budget pressures remain which need to be addressed in 2011/12.

Action taken / Proposed

Three further actions have/are being undertaken to address this issues, as summarised below:

- (i) A detailed budget plan has been drawn up by CACD management, in conjunction with Finance, designed to ensure that the on-going savings required to balance the budget are identified during 2011/12.
- (ii) Processes and procedures, especially relating to assessment arrangements, have been and continue to be improved, following detailed review work undertaken jointly by CACD management and internal audit.
- (iii) A joint Scrutiny Task Group has been established to examine the effectiveness of arrangements in this area.

3 Issue

An internal audit which examined the arrangements followed in relation to a major transport contract identified instances of non compliance with EU legislation and Contract Standing Orders.

Action taken / Proposed

A detailed action plan to address the issues identified was drawn up and has been implemented, which was designed to improve processes, competencies and management. This was reported to, and has been monitored by, the Audit Committee.

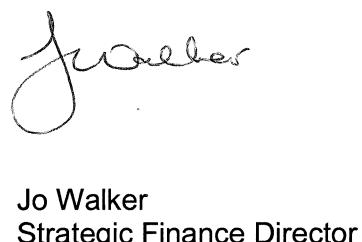
- 4 There are no other significant governance issues that need to be highlighted in this statement.



Mark Hawthorne
Leader



Peter Bungard
Chief Executive



Jo Walker
Strategic Finance Director

Impact of the adoption of International Financial Reporting Standards (IFRS):

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

An explanation of the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements is set out in the following tables and notes that accompany the tables.

Reconciliation of Net Worth reported under previous Generally Accepted Accounting Principles (GAAP) to Net Worth under IFRS at the date of transition to IFRS (1st April 2009)

	Previous GAAP 2008/09	Absences	Effect of transition to IFRS			IFRS 2008/09
	Note ref.: £'000	1 £'000	2 £'000	3 £'000	4 £'000	5 £'000
Property, Plant & Equipment	909,730	-	-62	-	-	127,130 * 1,036,798
Investment Property	-	-	-	-	-	-
Intangible Assets	476	-	-	-	-	476
Assets held for disposal	13,219	-	-	-	-	-10 13,209
Long Term Investments	11,195	-	-	-	29,934	- 41,129
Long Term Debtors	78	-	-	-	-	78
Long Term Assets	934,698	-	-62	-	29,934	127,120 1,091,690
Short Term Investments	165,277	-	-	-	-103,318	- 61,959
Assets held for sale	-	-	-	-	-	1,568 1,568
Inventories	668	-	-	-	-	668
Short Term Debtors	42,246	-	-	1,048	-	- 43,294
Cash and Cash Equivalents	10,499	-	-	-	73,384	- 83,883
Current Assets	218,690	-	-	1,048	-29,934	1,568 191,372
Bank Overdraft	-	-	-	-	-	-
Short Term Borrowing	-9,434	-	-	-	-	-9,434
Short term Creditors	-75,945	-10,912	-	14,737	-	-72,120
Receipts in Advance	-8,307	-	-	-52,703	-	-61,010
Total Short Term Creditors	-93,686	-10,912	-	-37,966	-	-142,564

Note ref.:	Previous GAAP	Effect of transition to IFRS				Other	IFRS
	2008/09	Absences	Leases	Grants	Reclass of Cash		2008/09
	£'000	1 £'000	2 £'000	3 £'000	4 £'000		£'000
Provisions (<1yr)	-	-	-	-	-	-3,701	-3,701
Liabilities in disposal groups	-	-	-	-	-	-	-
Current Liabilities	-93,686	-10,912	-	-37,966	-	-3,701	-146,265
Long Term Creditors	-	-	-	-	-	-	-
Government grants / contributions Deferred	-128,154	-	-	128,154	-	-	-
Provisions	-5,796	-	-	-	-	3,701	-2,095
Long Term Borrowing	-375,512	-	-	-	-	-	-375,512
Capital grants and contributions unapplied	-39,352	-	-	39,352	-	-	-
Donated Assets Account	-	-	-	-	-	-	-
Liability related to defined pension scheme	-440,212	-	-	-	-	-6,700	-446,912
Deferred Liability	-2,543	-	-	-	-	-	-2,543
Long Term Liabilities	-991,569	-	-	167,506	-	-2,999	-827,062
Net Assets	68,133	-10,912	-62	130,588	-	121,988	309,735
<i>Represented by:</i>							
Capital Grants Unapplied	-	-	-	2,434	-	-	2,434
General Fund	20,676	-	-	-	-	-	20,676
Earmarked Reserves	82,970	-	-	-	-	-	82,970
Capital Receipts Reserve	-	-	-	-	-	-	-
Usable reserves	103,646	-	-	2,434	-	-	106,080
Capital Adjustment Account	299,043	-	-62	128,154	-	128,735	555,870
Pensions Reserve	-440,212	-	-	-	-	-6,700	-446,912
Financial Instruments Adjustment Account	-5,988	-	-	-	-	-	-5,988
Available-for-Sale Financial Instruments Reserve	-203	-	-	-	-	-	-203
Collection Fund Adjustment Account	2,133	-	-	-	-	-	2,133
Revaluation Reserve	109,714	-	-	-	-	-47	109,667
Accumulated Absences Account	-	-10,912	-	-	-	-	-10,912
Unusable Reserves	-35,513	-10,912	-62	128,154	-	121,988	203,655
Total Reserves	68,133	-10,912	-62	130,588	-	121,988	309,735

Reconciliation of Net Worth reported under previous GAAP to Net Worth under IFRS at the end of the latest period presented in the most recent financial statements under previous GAAP (31st March 2010)

Note ref.:	Previous GAAP	Effect of transition to IFRS				Other	IFRS
	2009/10	Absences	Leases	Grants	Reclass of Cash		2009/10
	£'000	£'000	£'000	£'000	£'000		£'000
Property, Plant & Equipment	997,325	-	-62	-	-	-19,105	978,158
Investment Property	-	-	-	-	-	-	-
Intangible Assets	411	-	-	-	-	-	411
Assets held for disposal	16,655	-	-	-	-	-	16,655
Long Term Investments	8,912	-	-	-	10,730	-	19,642
Long Term Debtors	76	-	-	-	-	-	76
Long Term Assets	1,023,379	-	-62	-	10,730	-19,105	1,014,942
Short Term Investments	95,110	-	-	-	-78,562	-	16,548
Assets held for sale	-	-	-	-	-	547	547
Inventories	855	-	-	-	-	-	855
Short Term Debtors	50,351	-	-	2,112	-	-	52,463
Cash and Cash Equivalents	7,089	-	-	-	67,638	-	74,727
Current Assets	153,405	-	-	2,112	-10,924	547	145,140
Bank Overdraft	-	-	-	-	-	-	-
Short Term Borrowing	-6,307	-	-	-	-8,000	-	-14,307
Short term Creditors	-80,140	-13,178	-	12,071	-	4	-81,243
Receipts in Advance	-11,300	-	-	-51,754	-	-	-63,054
Total Short Term Creditors	-97,747	-13,178	-	-39,683	-8,000	4	-158,604
Provisions (<1yr)	-	-	-	-	-	-3,566	-3,566
Liabilities in disposal groups	-	-	-	-	-	-	-
Current Liabilities	-97,747	-13,178	-	-39,683	-8,000	-3,562	-162,170

Note ref.:	Previous GAAP	Effect of transition to IFRS				Other	IFRS
	2009/10	Absences	Leases	Grants	Reclass of Cash		2009/10
	£'000	1 £'000	2 £'000	3 £'000	4 £'000		£'000
Long Term Creditors	-	-	-	-	-	-	-
Government grants / contributions Deferred	-148,196	-	-	148,196	-	-	-
Provisions	-5,362	-	-	-	-	3,566	-1,796
Long Term Borrowing	-334,645	-	-	-	8,000	-	-326,645
Capital grants and contributions unapplied	-39,865	-	-	39,865	-	-	-
Donated Assets Account	-	-	-	-	-	-	-
Liability related to defined pension scheme	-756,854	-	-	-	-	-9,600	-766,454
Deferred Liability	-2,634	-	-	-	-	-	-2,634
Long Term Liabilities	-1,287,556	-	-	188,061	8,000	-6,034	-1,097,529
Net Assets	-208,519	-13,178	-62	150,490	-194	-28,154	-99,617
<i>Represented by:</i>							
Capital Grants Unapplied	-	-	-	684	-	-	684
General Fund	11,750	-	-	-	-	-	11,750
Earmarked Reserves	88,767	-	-	1,615	-	-	90,382
Capital Receipts Reserve	69	-	-	-	-	-	69
Usable reserves	100,586	-	-	2,299	-	-	102,885
Capital Adjustment Account	337,928	-	-62	148,191	-	-18,737	467,320
Pensions Reserve	-756,854	-	-	-	-	-9,600	-766,454
Financial Instruments Adjustment Account	-5,613	-	-	-	-194	-	-5,807
Available-for-Sale Financial Instruments Reserve	7	-	-	-	-	-	7
Collection Fund Adjustment Account	2,202	-	-	-	-	-	2,202
Revaluation Reserve	113,225	-	-	-	-	183	113,408
Accumulated Absences Account	-	-13,178	-	-	-	-	-13,178
Unusable Reserves	-309,105	-13,178	-62	148,191	-194	-28,154	-202,502
Total Reserves	-208,519	-13,178	-62	150,490	-194	-28,154	-99,617

Reconciliation to total Comprehensive Income & Expenditure under IFRS for the latest period in the most recent annual financial statements (Year Ended 31st March 2010):

Note ref.:	Previous GAAP 2009/10 £'000	Absences 1 £'000	Net Expenditure Effect of transition to IFRS				IFRS 2009/10 £'000
			Leases 2 £'000	Grants 3 £'000	Cash 4 £'000	Other 5 £'000	
Gross expenditure, gross income and net expenditure of continuing operations							
Education and children's services	114,976	2,311	-	841	-	2,595	120,723
Adult social care	141,717	-9	-	909	-	-11	142,606
Highways and transport services	47,573	2	-	3,166	-	5	50,746
Fire Services	18,993	-3	-	178	-	2,991	22,159
Cultural, environmental, regulatory and planning services	39,716	-6	-	1	-	-	39,711
Court Services	981	-	-	-	-	-	981
Housing services	122	-	-	-	-	-	122
Central services	-	-	-	-	-	-	-
Central services to the public	1,105	-1	-	28	-	-	1,132
Corporate and democratic core	7,889	-	-	-37	-	-	7,852
Unapportionable Central Overheads	7,789	-	-	-	-	-84	7,705
Non distributed costs	578	-28	-	-	-	-120	430
Exceptional Items	4,151	-	-	-	-	-	4,151
Cost Of Services	385,590	2,266	-	5,086	-	5,376	398,318
Other Operating Expenditure	271	-	-	-	-	-	271
Financing and Investment Income and Expenditure	17,144	-	-	-	-	156	17,300
Taxation and Non-Specific Grant Income	-375,228	-	-	-35,084	-	-	-410,312
(Surplus) or Deficit on Provision of Services	27,777	2,266	-	-29,998	-	5,532	5,577
Surplus or deficit on disposal of non current assets	1,146	-	-	-	-	1,582	2,728
Actuarial gains / losses on pension assets / liabilities	33,624	-	-	-	-	-	33,624
Other Comprehensive Income and Expenditure	34,770	-	-	-	-	1,582	36,352
Total Comprehensive Income and Expenditure	62,547	2,266	-	-29,998	-	7,114	41,929

Notes:

1. Short Term Accumulating Compensated Absences:

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31st March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

2. Leases:

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

3. Government Grants:

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31st March 2009 has been transferred to the Capital Adjustment Account in the opening 1st April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

- If a grant was received in 2009/10 but not used, previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

4. Reclassification of Cash

As a result of the move to IFRS cash must now be classified between cash and cash equivalents. As a result of this we have a new accounting policy which has resulted in amendments between investments and cash.

5. Other:

There are other minor adjustments that are included to provide a complete analysis of the transition.

An adjustment has been made for the long term injury liability relating to firefighter's who may receive this post-employment benefit if they retire due to injury.

- * This figure includes an adjustment of £128.735m relating to bringing Voluntary Controlled Schools on balance sheet, despite GCC not being the legal owners of the Voluntary Controlled Schools they have been included in the asset register due to substance over form where GCC have a control over the schools and will have future economic benefits.

Movement in Reserves Statement

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

	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31st March 2009	-20,676	-85,404	-	-106,080	-203,654	-309,734
Movement in reserves during 2009/10						
Surplus (-) or deficit on provision of services	41,929	-	-	41,929	-	41,929
Other Comprehensive Expenditure and Income	-	-	-	-	367,422	367,422
Total Comprehensive Expenditure and Income	41,929	-	-	41,929	367,422	409,351
Adjustments between accounting basis & funding basis under regulations (Note 1)	-38,666	-	-69	-38,735	38,735	-
Net Increase/Decrease before Transfers to Earmarked Reserves	3,263	-	-69	3,194	406,157	409,351
Transfers to/from Earmarked Reserves	5,662	-5,662	-	-	-	-
Increase/Decrease in 2009/10	8,925	-5,662	-69	3,194	406,157	409,351
Balance at 31st March 2010	-11,751	-91,066	-69	-102,886	202,503	99,617

	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31st March 2010 carried forward	-11,751	-91,066	-69	-102,886	202,503	99,617
Movement in reserves during 2010/11						
Surplus (-) or deficit on provision of services	-127,144	-	-	-127,144	-	-127,144
Other Comprehensive Expenditure and Income	-	-	-	-	-232,819	-232,819
Total Comprehensive Expenditure and Income	-127,144	-	-	-127,144	-232,819	-359,963
Adjustments between accounting basis & funding basis under regulations (Note 1)	106,513	-	69	106,582	-106,582	-
Net Increase/Decrease before Transfers to Earmarked Reserves	-20,631	-	69	-20,562	-339,401	-359,963
Transfers to/from Earmarked Reserves	16,487	-16,487	-	-	-	-
Increase/Decrease in 2010/11	-4,144	-16,487	69	-20,562	-339,401	-359,963
Balance at 31st March 2011	-15,895	-107,553	-	-123,448	-136,898	-260,346

Comprehensive Income and Expenditure Statement

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

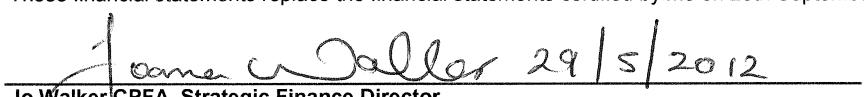
31 st March 2010			31 st March 2011		
Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
Gross expenditure, gross income and net expenditure of continuing operations					
2,389	-1,257	1,132	Central services to the public	3,476	-1,620
1,149	-168	981	Court Services	-	-
46,055	-6,344	39,711	Cultural, environmental, regulatory and planning services	55,083	-14,705
595,601	-474,878	120,723	Education and children's services	602,588	-490,878
63,434	-12,688	50,746	Highways and transport services	67,389	-13,234
411	-289	122	Other housing services	468	-317
247,965	-105,359	142,606	Adult social care	246,703	-86,711
23,342	-1,183	22,159	Fire Services	20,820	-1,012
8,534	-682	7,852	Corporate and democratic core	7,489	-730
7,890	-185	7,705	Non distributed costs	5,846	-194
4,768	-4,338	430	Other Operating Income & expenditure	10,752	-9,430
4,151	-	4,151	Exceptional Items (Note 48)	-115,497	-
1,005,689	-607,371	398,318	Cost Of Services	905,117	-618,831
271	-	271	Levies payable	268	-
2,728	-	2,728	Gain/loss on disposal of non current (fixed assets)	12,239	-
2,999	-	2,999	Other Operating Expenditure	12,507	-
18,664	-	18,664	Interest payable on debt	17,941	-
104	-	104	Premium on early repayment of debt	-	-
-	-136	-136	Impairment of financial instruments	271	-
33,624	-	33,624	Pension interest cost & expected return on pension assets (Note 37)	28,299	-
-	-1,332	-1,332	Investment Interest income	-	-1,672
52,392	-1,468	50,924	Financing and Investment Income and Expenditure	46,511	-1,672
-	-	-	Profit or loss on Discontinued Operations	-	-
-	-35,084	-35,084	Recognised capital grants and contributions	-	-66,085
-	-235,952	-235,952	Council tax	-	-243,486
-	-91,498	-91,498	NNDR	-	-102,126
-	-21,119	-21,119	RSG	-	-14,830
-	-26,659	-26,659	Non service related government grants	-	-44,249
-	-410,312	-410,312	Taxation and Non-Specific Grant Income (Note 4)	-	-470,776
1,061,080	-1,019,151	41,929	(Surplus) or Deficit on Provision of Services	964,135	-1,091,279
-	-	-	Surplus or deficit on revaluation of non current assets	-	-
19,202	-	19,202	Revaluation (gains)/losses (Note 15)	-	-25,866
46,358	-	46,358	Transfer of Services	-	-
-	-210	-210	Surplus or deficit on revaluation of available for sale financial assets (Note 15)	19	-
302,072	-	302,072	Actuarial gains / losses on pension assets / liabilities (Note 37)	-	-206,972
-	-	-	Voluntary Controlled Schools Transfer	-	-
367,632	-210	367,422	Other Comprehensive Income and Expenditure	19	-232,838
1,428,712	-1,019,361	409,351	Total Comprehensive Income and Expenditure	964,154	-1,324,117
					-359,963

Balance Sheet

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

As at 1 st April 2009 £'000	As at 1 st April 2010 £'000		Notes	As at 31 st March 2011 £'000
1,007,731	968,569	Property Plant and Equipment	5	1,015,915
42,277	26,244	Assets under Construction	5	24,410
476	411	Intangible Assets	7	346
41,128	19,642	Long Term Investments	8	7,486
78	76	Long Term Debtors	8	60
1,091,690	1,014,942	Long Term Assets		1,048,217
61,959	16,548	Short Term Investments	8	48,021
1,568	547	Assets held for Sale	12	1,558
-	1,822	Landfill Allowance Trading Scheme	43	3,017
667	855	Inventories		1,055
43,295	50,641	Short Term Debtors	10	43,165
83,883	74,727	Cash and Cash Equivalents	11	92,991
191,372	145,140	Current Assets		189,807
-	-1,793	Landfill Allowance Trading Scheme	43	-3,008
-9,434	-14,307	Short Term Borrowing	32	-37,361
-70,945	-79,004	Short Term Creditors	13	-86,362
-3,701	-3,566	Short Term Provisions	14	-5,378
-51,273	-50,322	Capital Grants and Contributions Receipts in Advance	29	-60,032
-10,912	-13,178	Provision for Accumulated Absences	15	-10,303
-146,265	-162,170	Current Liabilities		-202,444
-2,543	-2,634	Deferred Liability	45	-2,676
-2,095	-1,796	Long Term Provisions	14	-1,931
-375,512	-326,645	Long Term Borrowing	32	-315,913
-	-	Donated Asset Account		-
-446,912	-766,454	Liability Related to Defined Benefit Pension Scheme	36 & 37	-454,714
-827,062	-1,097,529	Long Term Liabilities		-775,234
309,735	-99,617	Net Assets		260,346
Usable Reserves				
-	69	Usable Capital Receipts Reserve	2	-
20,676	11,750	General Fund Balance	2	15,894
85,404	91,066	Earmarked Reserves	2	107,553
Unusable Reserves				
-10,912	-13,178	Short Term Accumulated Absences Account	15	-10,303
555,870	467,320	Capital Adjustment Account	15	473,367
109,667	113,408	Revaluation Reserve	15	131,377
2,133	2,202	Council Tax Collection Fund Adjustment Account	15 & 47	2,217
-203	7	Available for Sale Revaluation Reserve	15	-12
-5,988	-5,807	Financial Instrument Adjustment Account	15	-5,033
-446,912	-766,454	Defined Pension Fund Reserve	36 & 37	-454,714
309,735	-99,617	Total Reserves		260,346

These financial statements replace the financial statements certified by me on 26th September 2011


Jo Walker CPFA, Strategic Finance Director

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2009/10 £'000	2010/11 £'000
41,929 Net (surplus) or deficit on the provision of services	-127,144
-222,954 Adjustments to net surplus or deficit on the provision of services for non-cash movements	-8,992
149,104 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	121,998
<hr/>	
-31,921 Net cash flows from Operating Activities	-14,138
<hr/>	
-2,224 Investing Activities (Note 17)	8,470
<hr/>	
43,301 <u>Financing Activities (Note 18)</u>	-12,596
9,156 Net increase or decrease in cash and cash equivalents	-18,264
<hr/>	
-83,883 Cash and cash equivalents at the beginning of the reporting period	-74,727
<hr/>	
-74,727 Cash and cash equivalents at the end of the reporting period (Note 11)	-92,991

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Notes to the Statement of Accounts

1. Adjustments between accounting basis and funding basis under regulations

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

2009/10	General Fund Balance £'000	Usable Reserves Capital Receipts Reserve £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	-57,860	-	57,860
Capital grants and contributions applied	29,715	-	-29,715
Movement in the Donated Assets Account	5,495	-	-5,495
Revenue expenditure funded from capital under statute	-10,605	-	10,605
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-2,728	-	2,728
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment	15,282	-	-15,282
Capital expenditure charged against the General Fund Balance	1,521	-	-1,521
Adjustments primarily involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-2,915	2,915
Use of the Capital Receipts Reserve to finance new capital expenditure	-	2,846	-2,846
Adjustment primarily involving the Financial Instruments Adjustment Account:			
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	182	-	-182
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-17,471	-	17,471
Adjustments primarily involving the Collection Fund Adjustment Account:			
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	69	-	-69
Adjustment primarily involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-2,266	-	2,266
Total Adjustments	-38,666	-69	38,735

2010/11	General Fund Balance £'000	Usable Reserves Capital Receipts Reserve £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	-29,677	-	29,677
Capital grants and contributions applied	65,434	-	-65,434
Movement in the Donated Assets Account	651	-	-651
Revenue expenditure funded from capital under statute	-45,536	-	45,536
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-12,239	-	12,239
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment	16,638	-	-16,638
Capital expenditure charged against the General Fund Balance	2,810	-	-2,810
Adjustments primarily involving the Capital Receipts Reserve:			
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-4,171	4,171
Use of the Capital Receipts Reserve to finance new capital expenditure	-	4,240	-4,240
Adjustment primarily involving the Financial Instruments Adjustment Account:			
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	774	-	-774
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	104,768	-	-104,768
Adjustments primarily involving the Collection Fund Adjustment Account:			
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	15	-	-15
Adjustment primarily involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,875	-	-2,875
Total Adjustments	106,513	69	-106,582

2. Useable Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	Balance at 1st April 2009 £'000	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	Balance at 31st March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31st March 2011 £'000
Earmarked Reserves							
Capital Fund	16,915	-8,978	7,402	15,339	-10,039	15,428	20,728
Insurance Fund	9,895	-4,012	3,046	8,929	-4,845	5,074	9,158
Supporting People	3,181	-1,627	-	1,554	-214	-	1,340
County Elections	519	-329	-	190	-	149	339
Vehicle & Plant	223	-26	-	197	-41	-	156
Replacement							
Adverse Weather - Roads	174	-	750	924	-924	-	-
Fire Service Pensions	631	-5	-	626	-399	-	227
Waste Disposal Fees	536	-	-	536	-	-	536
Fire PFI Fees	405	-483	78	-	-	-	-
Strategic Waste Reserve	11,042	-	1,000	12,042	-3,001	1,000	10,041
Corporate Initiatives	1,233	-1,392	459	300	-	423	723
Fire Joint Training Centre	1,019	-	37	1,056	-	28	1,084
Social Care ICT System	2,000	-	-	2,000	-1,300	-	700
BOF Programme	4,276	-1,684	-	2,592	-1,049	-	1,543
Invest to Save	2,182	-1,026	1,544	2,700	-536	760	2,924
Transformation Reserve	-	-4,151	8,000	3,849	-2,506	18,382	19,725
Grant Clawback Reserve	1,000	-1,000	-	-	-	-	-
Impairment Reserve	-	-	7,300	7,300	-235	-	7,065
Capital Grant Reserves	1,681	-66	-	1,615	-	967	2,582
Revenue Grant Reserves	754	-70	-	684	-	1,643	2,327
Other Reserves	568	-130	42	480	-	5	485
	58,234	-24,979	29,658	62,913	-25,089	43,859	81,683
Schools Related							
School Balances	24,108	-24,108	26,508	26,508	-29,138	24,145	21,515
Dedicated Schools Grant Reserve	2,274	-3,082	1,938	1,130	-1,401	4,224	3,953
Other Schools Related	788	-590	317	515	-471	358	402
	27,170	-27,780	28,763	28,153	-31,010	28,727	25,870
Total	85,404	-52,759	58,421	91,066	-56,099	72,586	107,553
General Fund Balances	20,676	-15,465	6,539	11,750	-	4,144	15,894
Useable Capital Receipts Reserve	-	-2,846	2,915	69	-4,240	4,171	-
Total Useable Reserves	106,080	-71,070	67,875	102,885	-60,339	80,901	123,447

Capital Fund

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

Insurance Fund

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

Supporting People

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

County Elections

Meeting the future costs associated with County Council Elections.

Vehicle & Plant Replacement

Supporting the specific purchase of service vehicles for the Environment Directorate.

Fire Service Pensions

Specific reserve to support possible future costs associated with Fire Pension Liabilities

Waste Disposal Fees

The Waste Disposal Reserve provides support to costs associated with professional fees.

Strategic Waste Reserve

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

Corporate Initiatives

The Corporate Initiatives Reserve contains a number of amounts for various initiatives.

Fire Joint Training Centre

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

Social Care ICT System

Established to support the future development of the ICT system for Social Care monitoring.

BOF Programme

Set up to provide financial support to the operational costs associated with the Portfolio Office.

Invest to Save

Reserve established to support the continued development of invest to save initiatives.

Transformation Reserve

Specific Reserve set up to support costs associated with the Transformation Programme

Impairment Reserve

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

Capital Grant Reserves

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

Revenue Grant Reserves

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

Other Reserves

A number of small reserves established for specific purposes.

3. Financing and Investment Income and Expenditure

	2009/10 £'000	2010/11 £'000
Interest payable and similar charges	18,768	17,941
Pensions interest cost and expected return on pensions assets	33,624	28,299
Interest receivable and similar income	-1,332	-1,672
Income and expenditure in relation to investment properties and changes in their fair value	-	-
Impairment of financial instruments	-136	271
Other investment income	-	-
Total	50,924	44,839

4. Taxation and Non Specific Grant Incomes

	2009/10 £'000	2010/11 £'000
Council tax income	-235,952	-243,486
Non domestic rates	-91,498	-102,126
Non-ringfenced government grants	-47,778	-59,079
Capital grants and contributions	-35,084	-66,085
Total	-410,312	-470,776

5. Property, Plant and Equipment

Movements in 2009/10:

	Other Land and Buildings £'000	Vehicles, Infrastructure Plant, Furniture & Equipment £'000	Assets £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000	Assets Under Construction £'000
Gross book value at 1st April 2009	773,835	25,996	408,093	-	13,516	1,221,440	42,277
Additions	51,101	4,920	31,484	-	643	88,148	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	30,713	-	-	-	2,870	33,583	-
Derecognition – disposals	-58,776	-610	-1	-	-	-59,387	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	-15,464	-	-	-	-	-15,464	-16,033
Gross book value at 31st March 2010	781,409	30,306	439,576	-	17,029	1,268,320	26,244

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000	Assets Under Construction £'000
Accumulated Depreciation and Impairment							
At 1 st April 2009	-76,977	-12,589	-123,835	-	-307	-213,708	-
Depreciation charge	-7,951	-2,412	-15,582	-	-72	-26,017	-
Depreciation written out to the Revaluation Reserve	681	-	-	-	-	681	-
Impairment losses/ (reversals) recognised in the Revaluation Reserve	-29,316	-	-	-	-	-29,316	-
Impairment losses/ (reversals) recognised in the Surplus/ Deficit on the Provision of Services	-31,391	-	-	-	-	-31,391	-
At 31st March 2010	-144,954	-15,001	-139,417	-	-379	-299,751	-
Net book value at 31st March 2010	636,455	15,305	300,159	-	16,650	968,569	26,244
Movements in 2010/11:							
Gross book value at 1st April 2010	781,409	30,306	439,576	-	17,030	1,268,321	26,244
Additions	25,949	5,744	35,416	-	981	68,090	-
Donations	-	651	-	-	-	651	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	24,453	-	-	-	1,413	25,866	-
Derecognition – disposals	-14,253	-835	-	-	-	-15,088	-
Assets reclassified (to)/from Held for Sale	-1,624	-	-	-	-939	-2,563	-
Other movements in cost or valuation	-	-	-	-	-	-	-1,834
Gross book value at 31st March 2011	815,934	35,866	474,992	-	18,485	1,345,277	24,410

	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000	Assets Under Construction £'000
Accumulated Depreciation and Impairment							
At 1 st April 2010	-144,954	-15,001	-139,417	-	-379	-299,751	-
Depreciation charge	-10,177	-3,037	-16,574	-	-122	-29,910	-
Depreciation written out to the Revaluation Reserve	299	-	-	-	-	299	-
At 31st March 2011	-154,832	-18,038	-155,991	-	-501	-329,362	-
Net book value at 31st March 2011	661,102	17,828	319,001	-	17,984	1,015,915	24,410

Non Current Asset Valuations

- Land and 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 Cheltenham 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 construction which are included on the basis of capital expenditure incurred by 31st March 2011. The valuations have been undertaken by qualified valuers employed within Asset Management and 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, and equipment

Vehicles, plant, furniture and equipment are included at historical cost, less accumulated depreciation. Furniture and equipment charged to the capital account is included at historical cost and 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 of infrastructure.

Donated Assets

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

Fire Vehicle assets have been given to the Council at nil value and brought on to our books valued at £651k. As there are no conditions to be met they have been shown as income against the CI&ES in 2010/11 when they were received and shown as vehicles in the balance sheet.

6. Investment Properties

Investment property is defined as follows:

Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

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

The Council does not currently hold any investment properties.

7. Intangible Assets

These are purchased software licences and are amortised over an estimated life of up to 10 years. There are no requirements to reclassify intangible assets under the Code.

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

	2009/10		2010/11	
	Internally Generated Assets £'000	Other Assets £'000	Internally Generated Assets £'000	Other Assets £'000
Balance at start of year:				
Gross carrying amounts	-	476	-	411
Amortisation for the period	-	-65	-	-65
Other changes	-	-	-	-
Net carrying amount at end of year	-	411	-	346

8. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet, consisting of figures held within short and long term borrowings, short and long term investments and cash and cash equivalents.

	Long-term		Current		
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	
Investments					
Loans and receivables	19,642	7,486	65,849	100,268	
Available-for-sale financial assets	-	-	18,337	19,802	
Unquoted equity investment at cost	-	-	-	-	
Financial assets at fair value through profit and loss	-	-	-	-	
Total investments	19,642	7,486	84,186	120,070	
Debtors					
Loans and receivables	76	60	36,317	27,873	
Financial assets carried at contract amounts	-	-	-	-	
Total Debtors	76	60	36,317	27,873	
Borrowings					
Financial liabilities at amortised cost	324,733	314,302	14,276	37,311	
Financial liabilities at fair value through profit and loss	-	-	-	-	
Total borrowings	324,733	314,302	14,276	37,311	
Lease Liabilities					
PFI liability at amortised cost	1,911	1,611	31	50	
Total other long term liabilities	1,911	1,611	31	50	
Creditors					
Financial liabilities at amortised cost	-	-	66,002	73,662	
	-	-	66,002	73,662	
Income, Expense, Gains and Losses					
2009/10					
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair value through Profit and Loss	Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	18,664	-	-	-	18,664
Losses on derecognition	-	-	191	-	191
Reductions in fair value	-	-	-	-	-
Premiums on early repayment of debt	323	-	-	-	323
Discounts on early repayment of debt	-219	-	-	-	-219
Impairment losses	-	551	-	-	551
Fee expense	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	18,768	551	191	-	19,510
Interest income	-	-1,050	-467	-	-1,517
Interest income accrued on impaired financial assets	-	-686	-	-	-686
Increases in fair value	-	-	-	-	-
Gains on derecognition	-	-	-14	-	-14
Fee income	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	-1,736	-481	-	-2,217

	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair value through Profit and Loss	Total
	£'000	£'000	£'000	£'000	£'000
Gains on revaluation	-	-	-4	-	-4
Losses on revaluation	-	-	11	-	11
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	7	-	7
Net gain/(loss) for the year	18,768	-1,185	-283	-	17,300

2010/11

Interest expense	17,941	-	-	-	17,941
Losses on derecognition	-	-	12	-	12
Reductions in fair value	-	-	-	-	-
Premiums on early repayment of debt	-	-	-	-	-
Discounts on early repayment of debt	-	-	-	-	-
Impairment losses	-	272	-	-	272
Fee expense	7	-	-	-	7
Total expense in Surplus or Deficit on the Provision of Services	17,948	272	12	-	18,232

Interest income	-	-833	-171	-	-1,004
Interest income accrued on impaired financial assets	-	-658	-	-	-658
Increases in fair value	-	-	-	-	-
Gains on derecognition	-	-	-10	-	-10
Fee income	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	-1,491	-181	-	-1,672

Gains on revaluation	-	-	-12	-	-12
Losses on revaluation	-	-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-12	-	-12
Net gain/(loss) for the year	17,948	-1,219	-181	-	16,548

Fair Values of Assets and Liabilities

Financial liabilities together with financial assets represented by loans and receivables and long-term debtors and creditors 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 instruments, using the following assumptions:

- Estimated interest rates at 31st March 2011 of actual premature repayment rates set at close of business on 31st March 2011 for loans from the PWLB and 4% or other loans receivable and payable.
- No early repayment or impairment is recognised, however the PWLB fair value redemption figure is £347m.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 st March 2010		31 st March 2011	
	Carrying Amount £'000	Fair value £'000	Carrying Amount £'000	Fair value £'000
PWLB - maturity	297,434	327,872	291,683	331,995
PWLB - variable	-	-	15,000	15,030
Lender option borrower option	41,575	41,575	41,050	43,770
Finance lease	1,943	1,943	1,661	1,661
Financial liabilities	340,952	371,390	349,394	392,456

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2011) arising from a commitment to pay interest to lenders above current market rates.

	31 st March 2010		31 st March 2011	
	Carrying Amount £'000	Fair value £'000	Carrying Amount £'000	Fair value £'000
Loans and receivables	5,000	6,474	5,000	6,537
Long-term debtors	76	76	60	60

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March 2011) attributable to the commitment to receive interest above current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

9. Commitments under Capital Contracts

At 31st March 2011 the Council has £189m of expenditure approved, but not all contracted, in its capital programme in future years, allocated as follows:

	2010/11 £'000
Children & Young People	107,241
Environment	68,147
Community Safety	4,406
Community & Adult Care	5,502
Corporate Projects	3,875
Total	189,171

10. Debtors

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Central government bodies	13,768	12,552	9,983
Other local authorities	14,930	17,019	15,280
NHS bodies	3,823	9,756	3,207
Public corporations and trading funds	79	60	113
Other entities and individuals	10,695	11,254	14,582
Total	43,295	50,641	43,165

11. Cash and Cash Equivalents

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

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Cash held by the Council	10,499	7,089	20,942
Cash equivalents	73,384	67,638	72,049
Total Cash and Cash Equivalents	83,883	74,727	92,991

12. Assets held for sale

	2009/10 £'000	2010/11 £'000
Balance outstanding at start of year	1,568	547
Assets newly classified as held for sale:		
Property, Plant and Equipment	-	2,563
Assets sold	-1,021	-1,552
Balance outstanding at year-end	547	1,558

13. Creditors

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Central government bodies	20,194	21,643	26,086
Other local authorities	11,166	13,024	12,846
NHS bodies	3,452	4,884	6,432
Public corporations and trading funds	852	95	88
Other entities and individuals	35,281	39,358	40,910
Total	70,945	79,004	86,362

14. Provisions

	Balance at 1 st April 2010	Applications	Additions	Amounts Written off in Year	Balance at 31 st March 2011	Short Term Liabilities	Long Term Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance Fund	-4,043	-	-1,311 *	-	-5,354	-4,116	-1,238
Adult Care - client refunds	-100	-	-	100	-	-	-
Adult Care - other liabilities	-200	-	-	-	-200	-	-200
Environment - GSWBP	-782	453	-71	-	-400	-	-400
Land Claims							
Environment - Contracts	-	-	-736	-	-736	-736	-
Environment - VAT	-62	-	-	62	-	-	-
Environment - LATS	-28	19	-	-	-9	-9	-
Environment - Lease Dilapidations	-	-	-63	-	-63	-	-63
Registrars- Pension Strain Costs	-147	-	-	-	-147	-147	-
CYP - Pension Strain Costs	-	-	-50	-	-50	-20	-30
CYP - Tax Employment Liability	-	-	-91	-	-91	-91	-
Other provisions	-	-	-259	-	-259	-259	-
Total	-5,362	472	-2,581	162	-7,309	-5,378	-1,931
Employee Accrual - IAS19 accumulated absences	-13,178	2,875	-	-	-10,303	-10,303	-
Total	-13,178	2,875	-	-	-10,303	-10,303	-

* Net movement shown

Insurance Fund - see note 44.

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 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 relates to the write off of non-returned or damaged equipment through the Community Equipment Service.

The 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 the council has already made provision for it in future years.

15. Unusable Reserves

Revaluation Reserve

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

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

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

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Balance at 1st April	59,690	109,666	113,408
Upward revaluation of assets	51,691	26,201	25,866
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		-45,401	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services			
Difference between fair value depreciation and historical cost	-1,715	-681	-299
Accumulated gains on assets sold or scrapped		7,537	-7,598
Amount written off to the Capital Adjustment Account		16,086	
Balance at 31st March	109,666	113,408	131,377

Available for Sale Financial Instruments Reserve

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

	2009/10 £'000	2010/11 £'000
Balance at 1st April	-203	7
Change in year end valuation	210	-19
Balance at 31st March	7	-12

Capital Adjustment Account

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

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

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

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

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Balance at 1st April	300,213	555,870	467,320
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	-30,551	-57,795	-29,611
Revaluation losses on Property, Plant and Equipment		-46,443	-16,411
Amortisation of intangible assets	-65	-65	-65
Revenue expenditure funded from capital under statute		-10,605	-45,536
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-1,912	-	-
Adjusting amounts written out of the Revaluation Reserve	1,715	-6,856	7,896
Net written out amount of the cost of non-current assets			
Capital financing applied in the year:			
Write off of deferred charges	-36	-	-
Use of the Capital Receipts Reserve to finance new capital	7,220	2,846	4,240
RCCO applied to capital financing	3,496	1,521	2,810
Minimum Revenue Provision	14,379	15,261	16,638
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,584	29,672	65,435
IFRS Removal of operating leases	-62	-	-
IFRS Removal of deferred grants & S106 accounts	128,154	-	-
Donated Assets	-	-	651
VC Schools brought on to the balance sheet 08-09	128,735	-128,735	-
VC Schools	-	112,649	-
Balance at 31st March	555,870	467,320	473,367

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and present employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The main reasons for the change in the shortfall between 2009/10 and 2010/11 are the change from the use of the Retail Price Index (RPI) to the Consumer Price Index (CPI) for calculating future years pension increases, along with positive asset returns and falling long term inflation expectations.

	2009/10 £'000	2010/11 £'000
Balance at 1st April	-446,912	-766,454
Actuarial gains or losses (-) on pensions assets and liabilities	-302,072	206,972
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-14,570	103,068
Firefighters injury awards	-2,900	1,700
Balance at 31st March	-766,454	-454,714

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2009/10 £'000	2010/11 £'000
Balance at 1st April	2,133	2,202
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	69	15
Balance at 31st March	2,202	2,217

Accumulated Absences Account

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

	2009/10 £'000	2010/11 £'000
Balance at 1st April	-10,912	-13,178
Amount in which the settlement or cancellation of accrual made at the end of the preceding year and the amount accrued at the end of this year differs.	-2,266	2,875
Balance at 31st March	-13,178	-10,303

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums and discounts paid or received on the early redemption of loans. Premiums or Discounts are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. This Account also managed the financial adjustments necessary for the management of impairment on investments, which have now been written off in 2010/11 in accordance with regulations.

	2009/10 £'000	2010/11 £'000
Balance at 1st April	-5,988	-5,807
Adjustments 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	-322	-
Discounts received deferred	218	-
Adjustments with the General Fund relating to the total of deferred premiums/discounts:		
Net write down	149	153
Adjustments with the General Fund relating to the 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	-550	-
Adjustments with the General Fund relating to the write out of impairment of investments	-	621
Balance at 31st March	-5,807	-5,033

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 £'000	Interest Rate	Date Invested	Maturity Date	Carrying Amount at 31st March		Impairment at 31st March £'000
					31 st March 2011	31st March 2011 £'000	
					31 st March 2011 £'000	2011 £'000	
Heritable	2,000	6.15%	19.10.07	17.10.08	1,253	548	
Glitnir	2,900	6.19%	07.11.07	05.11.08	3,522	503	
Glitnir	3,000	5.75%	02.01.08	02.12.08	3,567	478	
Glitnir	3,000	5.50%	31.01.08	23.01.09	3,528	455	
Landsbanki	1,600	5.67%	03.01.08	02.01.09	1,867	551	
	12,500				13,737	2,535	

The carrying amount of the investments included in the balance sheet have been calculated by applying LAAP 82 (Update 4), 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 council deposits are not deemed to have priority. The Council has followed LAAP 82 (Update 4) 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 7th October 2008. To date payments of £1.062m have been received and total recovery is estimated at 84.98%. The revised repayment schedules is as follows:

April 2011	6.25%	April 2012	5%
July 2011	5%	July 2012	5%
October 2011	5%	October 2012	5%
January 2011	5%		

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

Landsbanki

Landsbanki Islands hf is an Icelandic entity. At the time LAAP Bulletin 82 (Update 4) was issued, the total payment was estimated to be 94.85% if the Council gains priority status. Creditor updates have not changed this position materially.

No payments will be made until the appeal has been heard, to ensure consistent treatment between both Glitnir and Landsbanki. The recommended repayment schedule is anticipated to be as follows:

December 2011	22.17%	December 2015	8.87%
December 2012	8.87%	December 2016	8.87%
December 2013	8.87%	December 2017	8.87%
December 2014	8.87%	December 2018	19.46%

Glitnir Bank

Glitnir Bank hf is an Icelandic entity. At the time LAAP Bulletin 82 (Update 4) was issued, the total payment was estimated to be 100% should priority status be awarded. It is anticipated that payment will be made in December 2011, and assuming priority status is awarded this will be 100% of the claim.

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.

16. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2009/10 £'000	2010/11 £'000
Interest received	-5,490	-1,684
Interest paid	19,439	18,187

17. Cash Flow Statement – Investing Activities

	2009/10 £'000	2010/11 £'000
Purchase of property, plant and equipment, investment property and intangible assets	80,322	68,674
Purchase of short-term and long-term investments	67,172	71,350
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-2,915	-4,171
Proceeds from short-term and long-term investments	-116,621	-52,394
Other receipts from investing activities	-30,182	-74,989
Net cash flows from investing activities	-2,224	8,470

18. Cash Flow Statement – Financing Activities

	2009/10 £'000	2010/11 £'000
Cash receipts of short- and long-term borrowing	-104	-15,000
Other receipts from financing activities	-	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-91	-42
Repayments of short-term and long-term borrowing	43,427	2,432
Other payments for financing activities	69	14
Net cash flows from financing activities	43,301	-12,596

19. Movement in Net Debt

	2009/10 £'000	2010/11 £'000	Movements in year £'000
Movement In Cash Balances			
Imprest Accounts	-200	-193	7
Cash At Bank	-17,242	-20,749	-3,507
Pension Fund Bank Balance	10,353	-	-10,353
Cash Equivalents investments	-67,638	-72,049	-4,411
Net Cash (Inflow) / Outflow	-74,727	-92,991	-18,264
Movement In Financing & Liquid Resources	-307,320	-300,383	6,937
Increase / (Decrease) In Net Debt	-382,047	-393,374	-11,327

20. Amounts reported for resource allocation decisions**Service Information for the year ended 31st March 2010**

	Children & Young People £'000	Community Adult Care £'000	Environment £'000	Community Safety £'000	Business Management & CESU £'000	Technical & Corporate £'000	Total £'000
Fees, Charges & Other service Income	-32,203	-81,936	-13,781	-1,860	-3,481	-2,499	-135,760
Government Grants	-441,809	-28,831	-3,208	-989	-249	-307	-475,393
Total Income	-474,012	-110,767	-16,989	-2,849	-3,730	-2,806	-611,153
Employee expenses	384,509	54,136	15,650	20,953	26,659	2,080	503,987
Other operating expenses	171,502	201,243	61,902	7,718	-5,686	48,814	485,493
Support Service Recharges	9,581	8,124	2,856	930	-17,243	-4,248	-
Total Operating Expenses	565,592	263,503	80,408	29,601	3,730	46,646	989,480
Net Cost of Services	91,580	152,736	63,419	26,752	-	43,840	378,327

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

	£'000
Cost of Services in Service Analysis	378,327
Add Technical Accounting Adjustments	37,458
Removal of amounts reported to management but not included in the Comprehensive Income and Expenditure Statement.	-17,467
Net Cost of Services in Comprehensive Income and Expenditure Statement	398,318

Reconciliation to Subjective Analysis

2009/10

	Service Analysis	Technical Accounting Adjustments	Items not included in the Income & Expenditure Account	Net cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other service Income	-135,760	2,761	-	-132,999	-	-132,999
Surplus or deficit on associates or joint ventures	-	-	-	-	-	-
Interest and Investment income	-	-	1,468	1,468	-1,468	-
Income from Council Tax	-	-	-	-	-375,228	-375,228
Government Grants and Contributions	-475,393	-447	-	-475,840	-35,084	-510,924
Capital Grants and Contributions	-	-	-	-	-	-
Total Income	-611,153	2,314	1,468	-607,371	-411,780	-1,019,151
Employee expenses	503,987	-13,639	-	490,348	-	490,348
Other service expenses	485,493	-	-	485,493	33,624	519,117
Support Service recharges	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	48,783	-	48,783	-	48,783
Interest Payments	-	-	-18,664	-18,664	18,664	-
Precepts & Levies	-	-	-271	-271	271	-
Gain or Loss on Disposal of fixed Assets	-	-	-	-	2,728	2,728
Impairment of investments	-	-	-	-	104	104
Total Operating Expenses	989,480	35,144	-18,935	1,005,689	55,391	1,061,080
Surplus or Deficit on the Provision of Services	378,327	37,458	-17,467	398,318	-356,389	41,929

Service Information for the year ended 31st March 2011

	Children & Young People	Community Adult Care	Environment	Community Safety	Business Management & CESU	Technical & Corporate	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other service Income	-29,355	-85,452	-20,852	-2,255	-3,276	-3,295	-144,485
Government Grants	-456,175	-7,685	-6,912	-206	-25	-6,327	-477,330
Total Income	-485,530	-93,137	-27,764	-2,461	-3,301	-9,622	-621,815
Employee expenses	374,603	49,077	17,171	19,993	22,617	2,140	485,601
Other operating expenses	185,067	207,076	71,725	8,019	-4,773	70,856	537,970
Support Service Recharges	8,744	7,482	2,675	844	-14,543	-5,202	-
Total Operating Expenses	568,414	263,635	91,571	28,856	3,301	67,794	1,023,571
Net Cost of Services	82,884	170,498	63,807	26,395	-	58,172	401,756

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

	£'000
Cost of Services in Service Analysis	401,756
Add Technical Accounting Adjustments	-60,728
Removal of amounts reported to management but not included in the Comprehensive Income and Expenditure Statement.	-54,742
Net Cost of Services in Comprehensive Income and Expenditure Statement	286,286

Reconciliation to Subjective Analysis

2010/11

	Service Analysis	Technical Accounting Adjustments	Items not included in the Income & Expenditure Account	Net cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other service Income	-144,485	2,948	-	-141,537	-	-141,537
Surplus or deficit on associates or joint ventures	-	-	-	-	-	-
Interest and Investment income	-	-	1,672	1,672	-1,672	-
Income from Council Tax	-	-	-	-	-243,486	-243,486
Government Grants and Contributions	-477,330	-1,635	-	-478,965	-161,205	-640,170
Capital Grants and Contributions	-	-	-	-	-66,085	-66,085
Total Income	-621,815	1,313	1,672	-618,830	-472,448	-1,091,278
Employee expenses	485,603	-135,700	-	349,903	-	349,903
Other service expenses	537,968	-1,555	-38,206	498,207	28,300	526,507
Support Service recharges	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	75,214	-	75,214	-	75,214
Interest Payments	-	-	-17,941	-17,941	17,941	-
Precepts & Levies	-	-	-267	-267	267	-
Gain or Loss on Disposal of fixed Assets	-	-	-	-	12,239	12,239
Impairment of investments	-	-	-	-	271	271
Total Operating Expenses	1,023,571	-62,041	-56,414	905,116	59,018	964,134
Surplus or Deficit on the Provision of Services	401,756	-60,728	-54,742	286,286	-413,430	-127,144

21. Acquired & discontinued operations

The Council had no acquired or discontinued operations during 2010/11.

22. Trading operations

The Council had no trading operations during 2010/11.

23. Agency Services

The Council supplies goods and services to other public bodies, including other councils, 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.

	2009/10 £'000	2010/11 £'000
Police	380	368
Probation	140	59
Crown Courts	195	97
Learning & Skills Council	-	10
Further Education	100	242
Health Trusts	242	399
Other Local Authorities	217	261
Other	181	144
Total	1,455	1,580

24. Pooled Budgets

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

Provision of mental health services with '2gether' NHS Foundation Trust (formerly Gloucestershire Partnership NHS Trust (integrated budget)

In 2010/11 the gross expenditure of the partnership was £6.75m (£6.5m in 2009/10), gross income was £0.39m (£1.3m in 2009/10) and the Council's contribution was £6.36m (£5.2m in 2009/10)

Provision of social care occupational therapy (Integrated Budget) – managed by Gloucestershire Primary Care Trust - Care Services

In 2010/11 the gross expenditure of the partnership was £3.5m (£3.1m in 2009/10), gross income was £0.4m (£0.4m in 2009/10) and the Council's contribution was £3.1m (£2.7m in 2009/10)

Provision of a community equipment service with Gloucestershire Primary Care Trust (Pooled Budget)

In 2010/11 the gross expenditure of the partnership was £4.0m (£3.0m in 2009/10), gross income was nil (nil in 2009/10) and the Council's contribution was £1.5m (£1.1m in 2009/10)

Commissioning of Learning Disability Services agreement with Gloucestershire Primary Care Trust (Pooled Budget)

In 2010/11 the gross expenditure of the partnership was £11.2m (£11.1m in 2009/10), gross income was £0.5m (£0.5m in 2009/10) and the Council's contribution was £3.5m (£3.4m in 2009/10)

The Council has treated the income and expenditure related to these pooled budgets as Joint Arrangements that are "Not an Entity" and has applied a proportional consolidation split to assets, liabilities and income and expenditure relating to the partnership arrangement with the PCT.

25. Members' Allowances

The Council is required to report the total allowances paid during the year to members of the Council.

	2009/10 £'000	2010/11 £'000
Basic Allowances	555	552
Special Responsibility Allowances	252	272
Total	807	824

26. Officer's Remuneration

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

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

The senior employees who received remuneration in excess of £50,000 for 2009/10 and 2010/11 are as follows:

2009/10

	Salary, Fees and Allowances £	Expense Allowances £	Other Taxable Benefits £	Employer's Pension Contributions £	Total £
Deputy Chief Executive ⁽¹⁾	77,454	-	65	16,188	93,707
Director of Law & Administration	86,679	-	-	18,116	104,795
Assistant Chief Executive	92,814	-	86	19,398	112,298
Group Director Environment	120,146	4	50	25,110	145,310
Group Director Children & Young People	129,090	-	454	26,980	156,524
Group Director Business Management	124,618	-	81	26,045	150,744
Group Director Community Safety	126,813	135	-	25,591	152,539
Chief Executive: Mr P Bungard	161,235	-	628	33,698	195,561
Group Director Community & Adult Care	100,163	-	728	20,934	121,825
	1,019,012	139	2,092	212,060	1,233,303

The above figures have been restated, when compared to the 2009/10 audited accounts, following some reclassification of expenses allowances and benefits in kind. The post of Director of Law & Administration, the Council's statutory Monitoring Officer post, has also been added.

(1) The Deputy Chief Executive works 22.2 hours per week. The whole time equivalent salary for 2009/10 is £129,090.

In 2010/11 the Council agreed to move to a new operating model from 2011/12. The table below reflects the Council's interim management structure in 2010/11 pending the introduction of revised management arrangements from 1st April 2011. These interim arrangements make direct comparison with the 2009/10 position difficult.

2010/11

	Salary, Fees and Allowances £	Compensation for loss of Office £	Other Taxable Benefits £	Employer's Pension Contributions £	Total £
Deputy Chief Executive ⁽¹⁾	80,137	-	19	17,550	97,706
Director of Law & Administration	89,746	-	-	19,654	109,400
Assistant Chief Executive	95,881	-	42	20,998	116,921
Group Director Environment ⁽²⁾	126,854	-	80	27,781	154,715
Group Director Children & Young People ⁽³⁾	44,521	33,391	58	9,750	87,720
Director of Commissioning & Partnership ⁽³⁾	98,881	-	-	21,655	120,536
Group Director Business Management	129,090	32,273	86	28,271	189,720
Group Director Community Safety ⁽⁴⁾	110,134	-	-	23,458	133,592
Chief Executive: Mr P Bungard	161,235	-	772	35,310	197,317
	936,479	65,664	1,057	204,427	1,207,627
Group Director Community & Adult Care ⁽⁵⁾	-	-	-	-	148,926
	936,479	65,664	1,057	204,427	1,356,553

(1) The Deputy Chief Executive works 22.2 hours per week. The whole time equivalent salary for 2010/11 is £133,562.

(2) The Group Director for Environment also acted as interim Group Director for Children and Young People during 2010/11.

(3) The Group Director for Children and Young People left the Council on 30th June 2011. The full year salary for 2010/11 would have been £133,562. The Director of Commissioning & Partnership was designated with the additional responsibility for Children's Services from July 2010. The full year salary for the post with the additional responsibility would have been £99,881.

(4) The Group Director of Community Safety retired on 28th February 2011. The full year salary for 2010/11 would have been £120,146.

(5) The interim Director for Community & Adult Care was not directly employed by the Council. The post holder's services are obtained through Comensura Limited at a total cost of £148,926 for the financial year. This arrangement has been necessary to retain organisational flexibility pending the introduction of the Council's new operating model.

The number of employees whose remuneration exceeded £50,000 (excluding employer's pension contributions) is set out below. The numbers within the bandings include the total remuneration (excluding employer's pension contributions) of the senior officers disclosed individually in the previous tables.

Remuneration band	Total Number of Employees			
	2009/10 Restated		2010/11	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	109	46	104	53
£55,000 - £59,999	47	36	61	30
£60,000 - £64,999	20	15	24	21
£65,000 - £69,999	12	11	9	4
£70,000 - £74,999	6	4	7	4
£75,000 - £79,999	10	3	7	2
£80,000 - £84,999	2	1	7	2
£85,000 - £89,999	1	1	2	3
£90,000 - £94,999	2	3	1	1
£95,000 - £99,999	-	4	2	5
£100,000 - £104,999	-	1	-	-
£105,000 - £109,999	1	-	2	-
£110,000 - £114,999	1	-	-	1
£115,000 - £119,999	1	-	-	-
£120,000 - £124,999	-	2	1	-
£125,000 - £129,999	-	2	1	1
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£150,000 - £154,999	-	-	-	-
£155,000 - £159,999	-	-	-	-
£160,000 - £164,999	-	1	-	2
Total	212	130	228	129

The above figures for 2009/10 have been restated, when compared to the 2009/10 audited accounts, following the reclassification of expenses allowances and benefits in kind and the removal of staff employed by Foundation Schools.

The above table reflects the actual remuneration received by employees as at 31st March 2011, as opposed to an employee's salary scale point. The true impact of Building Our Future/Meeting The Challenge savings will not be apparent until 2011/12 onwards.

27. External Audit Costs

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

	2009/10 £'000	2010/11 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	228	234
Fees payable to the Audit Commission in respect of statutory inspections	17	-
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	16	15
Fees payable in respect of other services provided by the Audit Commission during the year	28	4
Total	289	253

28. Deployment of Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2010/11			319,980
Brought forward from 2009/10			1,129
Carry forward to 2011/12 agreed in advance			-
Agreed budgeted distribution in 2010/11	50,595	270,514	321,109
Actual central expenditure	46,642		
Actual ISB deployed to schools		270,514	
Local authority contribution for 2010/11			-
Carry forward to 2011/12	3,953	-	3,953

29. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

Credited to Taxation and Non Specific Grant Income	2009/10 £'000	2010/11 £'000
Revenue Support Grant	-21,119	-14,830
National Non Domestic Rates Grant	-91,498	-102,126
Area Based Grant	-26,659	-44,249
Total	-139,276	-161,205

Revenue Grants Credited to Services	31 st March 2010 £'000	31 st March 2011 £'000
Department for Work & Pensions - Workstep Grant	-710	-378
Department for Children's Schools & Families Grants	-82,802	-78,284
Department for Children's Schools & Families - Designated Schools Grant	-315,166	-319,980
Department of Health Grants	-2,449	-2,617
Community & Local Government Grants	-1,073	-6,203
South West Regional Development Agency Grants	-437	-1,603
Youth Justice Board Grant	-982	-1,002
Young Peoples Learning Agency Grants	-36,259	-53,785
Other Grants	-35,960	-11,246
Skills Funding Agency	-	-3,867
Total	-475,838	-478,965

	31 st March 2010 £'000	31 st March 2011 £'000
Capital Grants and contributions credited to Comprehensive Income & Expenditure Account	-35,084	-66,085

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

Capital Grants Receipts in Advance	31 st March 2010 £'000	31 st March 2011 £'000
Department for Transport Grants	-4,048	-1,232
Department for Children's Schools and Families General	-3,020	-2,109
Department for Children's Schools and Families Specific	-10,144	-23,287
Other Capital Grants	-260	-678
Non Government Contributions for Capital purposes	-22,393	-21,234
Highways Section 106 Contributions	-10,457	-11,492
Total	-50,322	-60,032

30. Related Parties

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

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are set out in the subjective analysis in Note 20 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2011 are shown in Note 29.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 25. During 2010/11, works and services to the value of £0.087m were commissioned from companies in which three members had an interest. Contracts were entered into in full compliance with the council's standing orders. The relevant members did not take part in any discussion or decision relating to the procurement process. Details of all these interests are recorded in the Register of Members' Interest, open to public inspection at Shire during office hours or on the Council website.

Officers

During 2010/11, the Chief Executive declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972. The Chief Executive held the position of non- executive director at the Government Equalities Office. Gloucestershire County Council did not enter into any financial transactions with the Government Equalities Office during 2010/11.

Other Public Bodies (subject to common control by central government)

From the 2010/11 financial year the Pension Fund's "in-house" surplus cash balances have been held in the Pensions Fund's own bank account and an instant access call account. The Council administers the Pension Fund's named accounts within its Treasury Management department. A total average balance of £7.3m (£9.2m in 2009/10) was held in the Pension Fund accounts for 2010/11 gaining interest of £0.053m. (£0.053m in 2009/10). The Council charged £1.38m (£1.7m in 2009/10) for administering the Pension Fund. At 31st March 2011, the Council owed the Pension Fund £552.99k and was owed £207.7k by the Pension Fund.

Entities Controlled or Significantly Influenced by the Council

The Council has a contract with W S Atkins for the maintenance of highways.

Through the partnership contract with W S Atkins, the percentage top-slice the Council apply to all spend through Atkins changes from year to year due to fluctuating turnover and relatively fixed overheads. During 2010/11 the percentage was set at 20% to recover overheads. Ordered works and services supplied by Atkins are invoiced at cost. Atkins recover their overheads (e.g. head office costs, management fee, accommodation, IT, etc) by way of tendered lump sums adjusted each year for inflation. Profit is earned through performance, scored each year against a set of performance indicators.

The 'profit pot' and monies for overheads are ring fenced by top-slicing the budget. This pot is also used to settle commercial issues or contract changes, employer's risk events, etc. The money is sliced across both revenue and capital budgets and care is taken to ensure that where surplus is reintroduced back into works or services, the proportionality of where it came from is maintained.

In effect, the topslice percentage is a proxy to a traditional fee percentage, absent in our contract. It covers profit, overhead and risk, leaving the costs passed onto the Council for works or services inclusive of any discounts or rebates so the council pay exactly what the contractor pays to provide the same. The Council operates open book accounting and has access to any of the financial systems maintained by Atkins. At the year end there is inevitably the need to allow a provision in the accounts for overheads. This is due to certain components of the top-slice not being finalised in 2010/11. These include the final performance score, concluded in the following year, which is used to calculate the final bonus payment, overhead charges due on turnover outside the 10% margin specified in the Contract, and the Contractor's share of target contracted schemes also concluded in the following year. During the year ended 31st March 2011, Atkins charged the Council £41.22m (2010 £43.48m) of which a balance of £7.32m (2010 £8.53m) remained outstanding at the balance sheet date.

There is a contractual arrangement between the Council and the Brandon Trust for the provision of Learning Disabilities Services. In 2010/11 payments of £11.2m (£11.1m in 2009/10) were made to the Brandon Trust, of this £7.2m (£7.2m in 2009/10) was funded by Glos PCT under a S75 agreement (formally referred to as S31 agreement) and a further £0.5m was collected as client contributions (£0.5m in 2009/10), leaving £3.5m (£3.4m in 2009/10) as the council contribution.

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 Care Trust and Bedford Pilgrims Housing Association. In 2010/11 payments of £16.1m (£15.5m in 2009/10) were made to the Order of St John Care Trust in relation to this contract.

In 2010/11 the Council provided funding for 63 police officers via Gloucestershire Police Authority at a cost of £2.12m (2009/10 £2.06m), which is contained within Environmental and Regulatory Services. The Council also supplied support services for which it charged £301,000 in 2010/11 (£360,000 in 2009/10). This amount is included within the total shown in note 23. At 31st March 2011, Gloucestershire Police Authority owed the Council £11,858 (2010 £2,463). During the year, in addition to the services provided to Gloucestershire Police Authority, the Council also purchase goods and services totalling £2.95m from Gloucestershire Police Authority (2009/10 £2.76m). The balance owed to Gloucestershire Police Authority as at 31st March 2011 was £424 (2010 £2,745).

31. Capital Expenditure and Capital Financing

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

	2009/10 £'000	2010/11 £'000
Opening Capital Financing Requirement	384,552	415,042
Property, Plant and Equipment	72,115	66,256
Investment Properties	-	-
Intangible Assets	-	-
Revenue Expenditure Funded from Capital under Statute	7,676	45,536
	79,791	111,792
Sources of finance		
Capital receipts	-2,846	-4,240
Government grants and other contributions	-29,673	-65,433
Direct revenue contributions	-1,521	-2,810
Borrowing	-30,490	-22,723
MRP	-15,261	-16,586
	-79,791	-111,792
Closing Capital Financing Requirement	415,042	437,765
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	25,623	21,710
Increase in underlying need to borrowing (unsupported by government financial assistance)	4,867	1,013
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	1,970	-
Increase/(decrease) in Capital Financing Requirement	32,460	22,723

Capital Expenditure 2010/11

	£'000	%
Children & Young people		
Other Education	5,421	
Primary Education	21,608	
Secondary Education	30,779	
Special Education	3,800	
Youth & Community	728	
	62,336	55.8
Environment		
Other road construction schemes	2,141	
Structural maintenance of roads	16,010	
Structural maintenance of bridges	1,674	
Street lighting	921	
Flood Related Work	1,950	
Detrunked Routes	396	
Drainage	1,039	
Waste Disposal	681	
Other schemes	12,925	
	37,737	33.8
Community Safety		
Fire & Rescue	1,119	
Coroners & Registrar	2,018	
Community Safety Misc.	134	
	3,271	2.9
Community & Adult Care		
Archives	11	
Libraries	578	
Social Services	3,694	
	4,283	3.8
Business Management		
Business Management - general	1,148	
Rural Services	186	
Other schemes	2,831	
	4,165	3.7
Total Expenditure	111,792	100

32. Borrowing Profile

Long Term Borrowing

Source of loan	Range of interest rates payable	Total outstanding	
		31 st March	31 st March
		2010	2011
		£'000	£'000
Public Works Loan Board	3% to 11.625%	291,683	292,252
Banks	3.99% to 4.99%	33,050	22,050
		324,733	314,302

Analysis of loans by maturity

	1 st April	31 st March	31 st March
	2009	2010	2011
	£'000	£'000	£'000
Maturing in 1-2 years	10,432	25,432	22,050
Maturing in 2-5 years	57,347	36,776	19,590
Maturing in 5-10 years	30,789	33,789	51,889
Maturing in 10-15 years	45,872	44,509	36,545
Maturing in 15-20 years	33,900	18,000	28,000
Maturing in 20-25 years	36,002	26,000	16,000
Maturing in 25-30 years	22,000	12,000	19,536
Maturing in 30-35 years	27,958	29,458	28,313
Maturing in 35-40 years	33,370	28,769	37,379
Maturing in 40-45 years	60,900	42,000	40,000
Maturing in more than 45 years	15,000	28,000	15,000
	373,570	324,733	314,302
Finance Lease Liability	1,942	1,911	1,611
	375,512	326,644	315,913

The bank loans of £22m 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 likelihood of the rate changing the maturity period included in the analysis above is for the next option date for each loan.

Short Term Borrowing

The Council has £37.3m short term borrowing, which is repayable within 12 months. This consists of:

- £19.5m LOBO's plus accrued interest that are within their call period.
- £17.7 PWLB loans and accrued interest due to be repaid within the year, and £0.049m lease liability.

33. Leases

Council as Lessee

Finance Leases

IAS 17 Finance Leases

The Council has looked at all their leases (including those that terminated at 31st March 2010) both as lessor and as lessee to establish their classification under IFRS.

The Council reviewed 160 leases where the Council is the lessee (tenant) and identified two lease that matched the finance lease criteria, however the combined value was not material at £123,000 therefore the council will not be bringing them on to the balance sheet.

Operating Leases

The Council has acquired a number of fire rescue vehicles by entering into operating leases of which the future lease commitments have been summarised below.

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

	31 st March 2010 £'000	31 st March 2011 £'000
Not later than one year	453	303
Later than one year and not later than five years	1,536	881
Later than five years	733	594
	2,722	1,778

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2009/10 £'000	2010/11 £'000
Minimum lease payments	2,722	1,778

Removal of Operating leases

Carrying out the implementation of IFRS highlighted a number of operating leases included in our asset register where the Council is the lessee and under IFRS should not have been included on our asset register.

Therefore the council removed the assets including reversing out any impairment, revaluation and depreciation when restating the accounts under IFRS.

Council as Lessor

Finance Leases

IAS 17 Finance Leases

The Council has looked at all their leases (including those that terminated at 31st March 2010) both as lessor and as lessee to establish their classification under IFRS.

After reviewing over 200 leases where the Council are the lessor (Landlord) there were no finance leases identified to be brought on to the balance sheet.

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The below summarises any individual operating lease with an income above £25,000 per annum.

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

	31 st March 2010 £'000	31 st March 2011 £'000
Not later than one year	181	139
Later than one year and not later than five years	379	272
Later than five years	160	128
	720	539

The income shown against the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2009/10 £'000	2010/11 £'000
Minimum lease payments	720	539

34. Private Finance Initiatives and Similar Contracts

Fire Service Joint Training Centre PFI Scheme

2010/11 was the eighth year of a twenty-five year PFI contract for the design, build, financing and operation of a Joint Training facility in Avonmouth. The scheme is a joint PFI venture with Avon Fire Authority and Devon & Somerset Fire Authority whereby a significant proportion of the training required by the three services is provided at this facility.

Property, Plant and Equipment

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

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31st March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	2009/10 £'000	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
593	Paid in 2010/11	365	53	190	608
Outstanding undischarged contract obligations:					
608	Payable within one year	374	50	199	623
2,585	Payable within two to five years	1,590	168	891	2,649
3,608	Payable within six to ten years	2,219	433	1,045	3,697
4,077	Payable within eleven to fifteen years	2,485	661	1,033	4,179
2,697	Payable within sixteen to twenty years*	1,092	349	378	1,819
13,575	Total	7,760	1,661	3,546	12,967

* There are seventeen years remaining.

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

	2009/10 £'000	2010/11 £'000
Balance outstanding at start of year	1,963	1,942
Payments during the year	-21	-53
Capital expenditure incurred in the year	-	-
<u>Adjustment to outstanding balance</u>	<u>-</u>	<u>-228</u>
Balance outstanding at year-end	1,942	1,661

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

	2009/10 £'000	2010/11 £'000
Opening Net Book Value	1,963	1,942
Depreciation	-21	-53
<u>Adjustment</u>	<u>-</u>	<u>-118</u>
1,942	1,771	

Arrangement that contains a lease

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

Service Concessions

A service concession arrangement involves the grantor conveying to the operator for the period of the concession the right to provide services that give the public access to major economic and social facilities. They are arrangements whereby a public body grants contracts for the supply of public services, such as roads, to private operators. In practice, service concessions typically last for 25/30 years or more and have complicated fact patterns.

One contract that could be classified as a Service Concession was identified relating to Household Waste Recycling. The value is immaterial so no accounting adjustment has been made.

35. Impairment Losses

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

No impairment adjustment has been made to reflect a significant decline in market value, as this is not believed to be the case. The Valuation Office Agency report for 2011 confirms that in the residential land market for example, there has been "little or no change in the year up to January 2011". This is probably compounded by a lack of evidence. Without evidence to the contrary it is not considered appropriate to adjust for impairment due to "a significant decline in the market value of (property) assets".

Note 15 provides further detail of the impairment loss calculated in respect of the investments held with Icelandic banks.

36. Pensions Schemes accounted for as Defined Contribution Schemes

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

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

In 2010/11, the Council paid £26.1m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £26.5m and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 37.

The 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 Council for retirements up to 1999 (£2.95m) and via TPA for retirements post 1999 (£1.1m). Together these additional benefits costs totalled £4.06m in 2010/11 representing 2.2% of pensionable pay.

37. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post employment schemes:

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

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	16,129	29,284	2,300	4,300
Past service costs / gains (-)	2,894	-103,847	-	-15,300
Losses / gains (-) on settlements and curtailments	1,005	-4,462	-	-
Financing and Investment Income and Expenditure				
Interest cost	49,827	59,579	6,900	7,400
Expected return on scheme assets	-23,103	-38,680	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	46,752	-58,126	9,200	-3,600
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure				
Actuarial gains and losses (Recognised)	-	-	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure	46,752	-58,126	9,200	-3,600

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-9,369	95,668	-5,300	7,300
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	33,168	33,067	3,900	3,700
Employers' contributions payable to scheme for unfunded LGPS benefits (Discretionary)	4,215	4,475	-	-
Total employers contributions	37,383	37,542	3,900	3,700
Retirement benefits payable to pensioners			5,000	4,800
In addition to the recognised gains and losses included in the above, actuarial gains and losses of £206.97m (see below in Asset and Liabilities in relation to Post-employment benefits) (2009-10 - £302m) were included in the Comprehensive Income and Expenditure Statement. The cumulative amount of actuarial gains and losses recognised by the actuary for the Local Government Scheme only is -£227.3m, which is based on the full available history of Actuarial gains and Losses for the Council.				
Assets and Liabilities in Relation to Post-employment Benefits				
Reconciliation of present value of the scheme liabilities (defined benefit obligation):				
	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Firefighters' Pension Scheme	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Opening balance at 1 st April	-723,046	-1,167,114	-101,100	-146,000
Current service cost	-16,129	-29,284	-2,300	-4,300
Interest cost	-49,827	-59,579	-6,900	-7,400
Contributions by scheme participants	-10,019	-9,517	-1,000	-1,000
Actuarial gains and losses	-396,101	188,857	-39,700	7,400
Benefits paid	27,692	31,940	5,000	4,800
Benefits paid for unfunded LGPS benefits (Discretionary)	4,215	4,475	-	-
Past service costs	-2,894	103,847	-	15,300
Entity combinations	-	-	-	-
Curtailments	-1,005	-1,522	-	-
Settlements	-	7,082	-	-
Closing balance at 31st March	-1,167,114	-930,815	-146,000	-131,200

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2009/10	2010/11
	£'000	£'000
Opening balance at 1 st April	383,934	556,260
Expected rate of return	23,103	38,680
Actuarial gains and losses	133,728	10,715
Employer contributions	33,168	33,067
Employer contributions for unfunded LGPS benefits (Discretionary)	4,215	4,475
Contributions by scheme participants	10,019	9,517
Benefits paid	-27,692	-31,940
Benefits paid for unfunded LGPS benefits (Discretionary)	-4,215	-4,475
Entity combinations	-	-
Settlements	-	-1,098
Closing balance at 31st March	556,260	615,201

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £44.4m (2009/10: £156.8m).

Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11
	As Restated	As Restated			
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:					
Local Government Pension Scheme	-724,357	-668,391	-662,196	-1,091,393	-869,892
* Discretionary added years (teachers)	-2,074	-60,717	-60,850	-75,721	-60,923
Firefighters Pension Schemes (unfunded)	-116,000	-99,600	-101,100	-146,000	-131,200
Total Liabilities	-842,431	-828,708	-824,146	-1,313,114	-1,062,015
Fair value of assets in the Local Government Pension Scheme	489,174	478,297	383,934	556,260	615,201

Surplus/(deficit) in the scheme:

Local Government Pension Scheme	-235,183	-190,094	-278,262	-535,133	-254,691
* Discretionary added years (teachers)	-2,074	-60,717	-60,850	-75,721	-60,923
Firefighters Pension Schemes	-116,000	-99,600	-101,100	-146,000	-131,200
Total	-353,257	-350,411	-440,212	-756,854 [#]	-446,814 [#]

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

The main reasons for the change in the deficit of £310 million between these two years consists of the following items shown for 2010/11 within the above **Assets and Liabilities in Relation to Post-employment Benefits** table. Within Liabilities, the "Actuarial gains and losses" (change in long term inflation expectations) and "Past service costs" (change from RPI to CPI to calculate pension increases). Within Assets, the "Actuarial gains and losses" (asset returns greater than anticipated by the actuary).

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £446.8m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £446.8m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31st March 2012 is £31.8m. Expected contributions for the Firefighters' Pension schemes in the year to 31st March 2012 are £1.628m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Firefighters' Pension Schemes liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1st April 2010. The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	Unfunded liabilities: Firefighters' Pension		
	2009/10	2010/11	2009/10	2010/11
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.8%	7.5%	-	-
Bonds	5.0%	4.9%	-	-
Property	5.8%	5.5%	-	-
Cash	4.8%	4.6%	-	-
Mortality assumptions:				
Longevity (yrs) at 65 (60 for Fire) for current pensioners:				
Men	22.7	21.7	27.6	27.9
Women	26.1	23.6	31.0	30.8
Longevity (yrs) at 65 for future pensioners:				
Men	24.8	23.5	29.2	29.5
Women	28.3	25.8	32.7	32.3
Rate of inflation (RPI)	3.8%	3.6%	3.8%	3.6%
Rate of increase in salaries	5.3%	4.6%*	5.3%	4.6%
Rate of increase in pensions (changed to CPI from 10/11)	3.8%	2.8%	3.8%	2.8%**
Rate for discounting scheme liabilities	5.5%	5.5%	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50% ⁺ 75% [#]	50% ⁺ 75% [#]	90%	90%

* Pre Apr 2008 Service

Post Apr 2008 Service

* Salary increases are 1% p.a. nominal for the year to 31st March 2011 and to year 31st March 2012, reverting to 4.6% thereafter.

** Pension increases are assumed to be 0.8% p.a. less than market derived RPI.

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

	31 st March 2010	31 st March 2011
Equity investments	67%	68%
Bonds	24%	24%
Property	6%	6%
Cash	3%	2%
	100%	100%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Local Government Pension Scheme					
Differences between the expected and actual return on assets					
Differences between the expected and actual return on assets	-0.1	-11.0	-36.7	24.0	1.7
Experience gains and losses on liabilities	-0.1	12.6	0.4	0.2	6.1
Firefighters Pension Scheme (FPS)					
Differences between the expected and actual return on assets					
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	6.9	-0.8	-1.6	-1.0	-3.5
Firefighters Pension Scheme (New FPS)					
Differences between the expected and actual return on assets					
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	-	0.0	28.6	-14.3	-9.7

38. Contingent liabilities

Contingent liabilities are disclosed by way of note when there is a possible obligation which may require a payment or a transfer of economic benefits. The timing of the economic transfer and the level of uncertainty attaching to the event are such that it would be inappropriate to make a provision. There are no contingent liabilities in 2010/11.

39. Contingent assets

Contingent assets are disclosed by way of note where inflow of a receipt or economic benefit is probable. There are no contingent assets in 2010/11.

40. Nature and extent of risks arising from Financial Instruments

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

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

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

Credit Risk

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

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

The credit criteria in respect of financial assets held by the Council are as detailed below:

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

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

Deposits are made with the Government Debt Management Office, other local authorities, banks 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's maximum exposure to credit risk in relation to its investments in banks and building societies of £87m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2011 that this was likely to crystallise.

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

	Amount at 31 st March 2011	Historical experience of default	Historical experience adjusted for market conditions at 31 st March 2011	Estimated maximum exposure to default and uncollectability	Estimated maximum exposure at 31 st March 2011
		%	%	£'000	£'000
Deposits with Banks & Financial Institutions	148,504	-	1	1,529	271
Customers	7,834	3.6	8	641	641
	156,338			2,170	912

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

The Council's debtors, including any payments in advance made by the Council totalled £43.807m as at 31st March 2011 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 2011 these debts totalled - £0.641m.

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

	31 st March 2010	31 st March 2011
	£'000	£'000
Less than a month	7,330	5,170
One to three months	4,028	807
Three to six months	435	433
More than six months	1,286	1,424
	13,079	7,834

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The strategy is to ensure that not more than 25% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	1 st April 2009 £'000	31 st March 2010 £'000	31 st March 2011 £'000
Less than one year	9,434	14,307	37,361
Between one and two years	10,432	25,432	22,050
Between two and five years	57,347	36,776	19,590
Between five and ten years	30,789	33,789	51,889
Between ten and fifteen years	45,872	44,509	36,545
Between fifteen and twenty years	33,900	18,000	28,000
Between twenty and twenty-five years	36,002	26,000	16,000
Between twenty-five and thirty years	22,000	12,000	19,536
Between thirty and thirty-five years	27,958	29,458	28,313
Between thirty-five and forty years	33,370	28,769	37,379
Between forty and forty-five years	60,900	42,000	40,000
More than forty-five years	15,000	28,000	15,000
Finance Lease Liability	1,942	1,911	1,611
	384,946	340,951	353,274

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

Market Risk

Interest Rate Risk

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

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

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

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

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which 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.

According to this assessment strategy, at 31st March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	150
Increase in interest receivable on variable rate investments	-
Impact on Surplus or Deficit on the Provision of Services	150

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

There would be no further effect as the remainder of the Council's borrowing and investments are held in fixed rate products.

Price Risk

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

Foreign exchange Risk

The Council's 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.

41. Publicity

Section 5 of the Local Government Act 1986 requires all Local Authorities to maintain a specific memorandum account in which all expenditure and promotional advertising mentioning either specific parts or the whole of Gloucestershire or any such similar expenditure is charged. An analysis of this expenditure is provided below:

	2009/10 £'000	2010/11 £'000
Staff recruitment advertising	1,227	546
Public relations, communications and tourism officers	481	431
Publications, marketing and promotion	1,404	803
Total	3,112	1,780

42. Trust Funds

At 31st March 2011 the Council acted as trustee for 5 trust funds. These funds do not represent assets of the Council and they have not been included in the Balance Sheet.

	Balance at 31 st March 2010	Income	Expenditure	Balance at 31 st March 2011
	£	£	£	£
<u>Libraries</u> After funding a cultural project one of the trusts ceased to be operational. The remaining 2 trusts provide books for libraries	3,223	159	-611	2,771
<u>Edith Foster and Mary Playne Trust</u> Provides aid to college students	114,108	416	-	114,524
<u>Gloucestershire Heritage Trust Ltd</u> Preserves and renovates buildings and areas which are of historic interest	6,635	77	-	6,712
<u>Gloucestershire War Relief</u> The awarding of grants relating to service in the Great War	411	-	-	411
Total	124,377	652	-611	124,418

43. Landfill Allowance Trading Scheme (LATS)

The Council has received allowances for the year 2010/11 for 95,471 tonnes. The estimated BMW landfill usage is 105,941 tonnes. It bought allowances in the year or during the reconciliation period of 2,711. DEFRA has advised that the average traded value of 2010/11 has been £12.5. Amounts to be included in the 2010/11 Statement of Accounts:

Comprehensive Income and Expenditure Statement	Gross Income	Gross Expenditure	Net Expenditure
	£'000	£'000	£'000
Cultural, Environmental, Regulatory and Planning Services	-1,195	1,215	20
Balance Sheets for 2010/11	Upon Recognition	Movement After Recognition	31st March 2011
<i>Current Assets:</i>			
Landfill Usage Allowances for 2010/11	1,195	-	1,195
<i>Current Liabilities:</i>			
Liability to DEFRA for 2010/11 Landfill Usage	-	-1,215	-1,215
<i>Reserves:</i>			
General Fund	1,195	-1,215	-20

44. Insurance

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

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

45. Deferred liabilities

The amount of £2.676m represents the shares of the PFI project equalisation fund attributable to Avon Fire Authority and Devon & Somerset Fire Authority.

46. Disclosure of involvement in a Local Area Agreement (LAA)

During 2010/11 the Council participated in an LAA – a partnership with other public bodies involving the pooling of Government grants and alignment of budgets to work towards jointly agreed objectives for local public services. LAA's have now ceased following a change of central government policy.

The purpose of the LAA was:

- 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 the 2017 vision in the Sustainable Community Strategy is achieved.
- 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 were:

- 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 Primary Care Trust.
- External Agencies – Gloucestershire Assembly for the Voluntary & Community Sector, Gloucestershire First.

The Council received a Performance Reward Grant of £6.1m in 2010/11, following the successful delivery of a number of LAA targets. Of this total grant £3.9m has been passed onto our LAA partners. The remaining £2.2m has been transferred to Revenue Grants Unapplied Reserve, available for future Council Priorities.

47. Council Tax Collection Fund Adjustment Account

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.

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

The following statement outlines the balances held as at 31st March 2011:

Council Tax Collection Fund as at 31st March 2011	Council Tax Arrears after impairment allowance for doubtful/bad debt (Debtors) £'000	Council Tax overpayments and prepayments (Creditors) £'000	Collection Fund (surplus) / deficit £'000	Cash (shown as Debtor or Creditor) £'000
Cheltenham Borough Council	965	-413	-533	-19
Cotswold District Council	528	-853	-144	469
Gloucester City Council	2,449	-614	-301	-1,534
Forest of Dean District Council	708	-290	-502	84
Stroud District Council	701	-690	-574	563
Tewkesbury Borough Council	1,129	-111	-163	-855
	6,480	-2,971	-2,217	-1,292

48. Exceptional Items

Restructuring Costs

The fundamental review of the Council's role and organisational shape continued during 2010/11.

The total costs of retirement and redundancy costs for the year totalled £3.826m. Due to the nature of these costs, this has been treated as an exceptional item within the 2010/11 Comprehensive Income and Expenditure Statement.

IAS19 Adjustments

Following the Chancellor's budget statement on 22 June 2010, calculations on future pension increases are now linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI) for both the Local Government and Firefighters Pension Schemes.

Given the considerable impact of this change in producing a negative past service cost item (-£119.323m) in the Comprehensive Income & Expenditure Account then this element of the IAS19 adjustment has been classified as an exceptional item within these Statements.

Gloucestershire Pension Fund

Fund Account for the year ended 31st March 2011

2009/10 re-stated £'000	2010/11 £'000	Note
Dealings with members, employers and others directly involved in the scheme		
Contributions		
-65,320 from employers	-60,123	P20
-17,811 from members	-17,311	P20
<u>-83,131</u>	<u>-77,434</u>	P7
Transfers in		
-5,605 individual transfers in from other schemes	-6,275	
Other income		
-126 recoveries for services provided	-151	P18 & P22
Benefits		
44,518 pensions	47,810	P18
13,173 commutation of pensions and lump sum retirement benefits	11,145	
1,409 lump sum death benefits	1,441	
<u>59,100</u>	<u>60,396</u>	P7
Payments to and on account of leavers		
15 refunds of contributions	14	
1 state scheme premiums	-1	
4,237 individual transfers out to other schemes	6,735	
<u>4,253</u>	<u>6,748</u>	
1,669 Administrative expenses	1,377	P9 & P22
<u>-23,840</u>	<u>Net additions from dealings with scheme members</u>	<u>-15,339</u>
Returns on investments		
-23,792 Investment income	-25,369	P14
14 Taxes on income	-22	
-271,475 Profit and losses on disposal of investments and changes in value of investments	-59,983	P4
3,013 Investment management expenses	3,081	
<u>-292,240</u>	<u>Net returns on investments</u>	<u>-82,293</u>
-316,080 NET INCREASE (-) / DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR	-97,632	
-737,464 Opening net assets of the scheme	-1,053,544	
<u>-1,053,544</u>	<u>Closing net assets of the scheme</u>	<u>-1,151,176</u>

Gloucestershire Pension Fund

Net Assets Statement as at 31st March 2011

		2010/11	Note
	£'000	£'000	
Investment assets			
149,260	Fixed interest securities	174,936	
268,859	Equities	297,391	
75,192	Index-linked securities	76,355	
467,738	Pooled investment vehicles	508,052	
60,428	Property unit trusts	63,325	
1,410	Derivative contracts	736	P16
3,751	Other investments - Venture Capital/Private Equity	3,526	
11,382	Cash held on behalf of the investment managers	18,046	
7,320	Other investment balances	6,731	
1,045,340		1,149,098	
Investment liabilities			
-4,413	Derivative contracts	-1,497	
-1,540	Other investment balances	-3,740	
-5,953		-5,237	
Current assets			
7,664	Contributions due from employers	3,514	P24
236	Other current assets	233	
10,353	Cash balances (internal)	5,155	
18,253		8,902	
Current liabilities			
-2,403	Unpaid benefits	-98	
-1,693	Other current liabilities	-1,489	
-4,096		-1,587	
1,053,544	Net assets of the scheme available to fund benefits at the period end	1,151,176	P13

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 2010/11 along with the Fund's Funding Strategy Statement. The Actuary's statement is based on the triennial valuation as at 31st March 2010. The actuarial position is summarised in note P6 and P25.

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

Gloucestershire Pension Fund

Notes

P1. Introduction

The County Council is the administering body for the Gloucestershire Local Government Pension Fund. This is not only for County Council employees but also for District councils within the County and other local bodies providing public services. A full list of all employing bodies who are members of the Fund are shown in the Pension Fund's Annual Report alongside the more detailed accounts of the Gloucestershire Pension Fund. The Local Government Pension Scheme is a statutory funded pension scheme. It is "contracted out" of the state scheme and is termed a defined benefit (or final salary) scheme. The scheme is made available to all (*) employees except fire fighters 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 2011 was 17,301 (2010 18,019). A full analysis of membership can be found in the Pension Fund's Annual Report. The Fund exists to provide pensions to former employees and certain other benefits. The Pension Fund is not a Gloucestershire County Council fund and is subject to its own audit, therefore balances are not included in the Gloucestershire County Council Consolidated Balance Sheet.

** There are restrictions with some casual staff*

P2. 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, together with the Code of Practice on Local Authority Accounting in the United Kingdom issued by The Chartered Institute of Public Finance & Accountancy (CIPFA). The 2010/11 Code of Practice on Local Authority Accounting is the first edition of the Code to be based on International Financial Reporting Standards (IFRS). Any material changes to accounting policies requires adjustments to comparative figures to ensure continuing comparability. However in 2008/09 Pension Funds were required to change the presentation of their accounts and to value securities on a Fair Value Basis which complies with IFRS, therefore no material change in accounting policies has taken place and no adjustment to comparative figures made. 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. Hermes deducts its fees from a combination of assets held and income distributions and 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 on 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 2011.

Derivatives

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

Acquisition and transaction costs of investments

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

P3. Taxation

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

P4. Investment movements summary

Asset Class	Market Value at 31 st March 2010	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value, new money and accruals	Market Value at 31 st March 2011
	£'000	£'000	£'000	£'000	£'000
Fixed Interest	149,260	198,683	173,742	735	174,936
Equities	268,859	107,591	93,833	14,774	297,391
Index Linked	75,192	43,001	44,421	2,583	76,355
Derivatives	-3,003	146	329	2,425	-761
Pooled Investments	467,738	31,538	30,750	39,526	508,052
Property Unit Trusts	60,428	-	-	2,897	63,325
Private Equity	3,751	206	-	-431	3,526
	1,022,225	381,165	343,075	62,509	1,122,824
Cash movement, currency adjustments, and other end of year settlements	31,319			-2,526	28,352
	1,053,544			59,983	1,151,176

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

The derivatives in the previous table represent futures, options and forward foreign exchange contracts. The closing market value represents fair value as at the year end 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 are 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 sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amount to £601,375 (2009/10 £987,714). 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:

	2009/10 £'000	2010/11 %	2010/11 £'000	2010/11 %
Western Asset Management Company	255,272	24.2	285,885	24.8
BlackRock	233,487	22.2	253,772	22.0
GMO	163,708	15.5	176,715	15.4
Standard Life Investments	276,849	26.3	308,496	26.8
Hermes Investment Management Property Unit Trust	61,399	5.8	64,446	5.6
BNY Mellon Asset Management International	101	-	102	-
Acadian Asset Management	44,376	4.2	50,407	4.4
YFM Group	3,751	0.4	3,526	0.3
Total - External Managers	1,038,943	98.6	1,143,349	99.3
In-house cash and accruals	14,158	1.4	7,315	0.6
Cash instruments with Custodian	443	-	512	0.1
	1,053,544	100.0	1,151,176	100.0

Where the value of an investment exceeds 5% of the total value of net assets or 5% of its asset class, details have been disclosed in note 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 2011.
- Results showed that the required level of contributions to be paid to the Fund by the County Council for the year to 31st March 2011, in accordance with the Fund's Funding Strategy Statement, was 21.9% (2009/10 20.9%) 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 March 2007 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 2010. This valuation details the level of employer contributions that are required to be paid in the financial year commencing 1st April 2011 and each of the subsequent two years. Details of the results of this valuation will be disclosed as a note to the 2011/12 Accounts. The market value of the Fund's assets disclosed at 31st March 2010 by the valuation was £1,054m which represented 70.4% of the Fund's accrued liabilities.
- See note P25 for details of the Actuarial Present Value of Promised Retirement Benefits.

P7. Analysis of contributions receivable and benefits payable

	2009/10	2010/11		
	Contributions receivable £'000	Benefits payable £'000	Contributions receivable £'000	Benefits payable £'000
Gloucestershire County Council <i>[administering authority]</i>	47,324	32,294	42,632	34,058
Scheduled bodies (51) <i>[bodies admitted by right]</i>	32,595	24,504	31,941	24,038
Admitted bodies (22) <i>[bodies admitted by agreement]</i>	3,212	2,302	2,861	2,300
	83,131	*59,100	77,434	60,396

* The comparative figure for 2009/10 has been changed to reflect the reduction in the pensions paid element of benefits payable, please see note P18 for more details.

Scheduled bodies now include five schools who converted to academy status during 2010/11; formerly these were included with the County Council.

P8. Statement of Investment Principles

A Statement of Investment Principles, which sets out the Pension Fund's long-term investment objectives, its style of management and policies, together with performance targets, risk management 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:

	2009/10 £'000	2010/11 £'000
Administrative expenses	1,669	1,377

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 drawdown's, at the year end.

	Total Commitment £'000	Outstanding liability 2009/10 £'000	Outstanding liability 2010/11 £'000
South West Venture Fund	2,500	125	-
Chandos Fund	3,000	1,519	1,438
Total	5,500	1,644	1,438

P11. Unlisted holdings

The following holdings are unlisted:

	2009/10 £'000	2010/11 £'000
<u>Pooled investment vehicles</u>		
UK equities unitised insurance policy	5,755	6,926
Overseas equities managed funds	207,759	227,022
Overseas equities unitised insurance policies	233,486	253,772
Overseas limited liability partnerships	16,351	18,913
Total	463,351	506,633

P12. Stocklending

The Pension Funds' custodian has been authorised to release stock to third parties under a stock lending arrangement. At 31st March 2011 the value of stock out on loan was £28.1m (2009/10 £17.1m) of which £18.2m (£17.1m) were UK equities and £9.9m (£0) were UK government stock. Collateral of £29.4m (£18.4m) equal to 105% (108%) of stock out on loan was held in the form of £1.8m (£8.4m) in FTSE 350 UK equities and £27.6m (£10m) in AA rated UK and Overseas government debt and AAA rated fixed interest stock issued by Supranational bodies.

P13. Net asset investment analysis

	2009/10	2010/11
	£'000	£'000
Investment assets		
Fixed interest securities		
U.K. - Public Sector - Quoted	28,209	63,730
- Other - Quoted	99,643	92,557
Overseas - Public Sector - Quoted	16,213	16,797
- Other - Quoted	5,195	1,852
	149,260	174,936
Equities		
U.K. - Quoted	268,859	297,391
Index-linked securities		
U.K. - Public Sector - Quoted	60,601	74,390
- Other - Quoted	2,808	1,965
Overseas - Public Sector - Quoted	11,783	-
	75,192	76,355
Pooled investment vehicles		
Unitised Insurance Policies		
U.K. - Equities - Unquoted	5,755	6,926
Overseas - Equities - managed from within the U.K. - Unquoted	233,486	253,772
Other Managed Funds		
O.E.I.C.'s - UK Liquidity	495	-
- Overseas - Equities - managed from outside the U.K. - Quoted	3,892	1,419
- Overseas - Equities - managed from outside the U.K. - Unquoted	207,759	227,022
Limited Liability Partnerships		
- Overseas - Fixed Interest - managed from outside the U.K. - Unquoted	16,351	18,913
	467,738	508,052
Unit Trusts		
U.K. Property Unit Trusts - Quoted	60,428	63,325
Derivative Contracts (note P16)		
Futures - U.K.	7	86
- Overseas	61	74
Options - Overseas	38	-
Forward foreign exchange contracts	1,304	576
	1,410	736
Other Investments		
Venture Capital/Private Equity - U.K.	3,751	3,526
Cash (Managers)		
Cash instruments - U.K.	6,988	15,958
- Overseas	2,763	753
Cash Deposits - U.K.	658	866
- Overseas	973	469
	11,382	18,046
Other investment balances		
Debtors		
Outstanding settlement of investment transactions	1,739	1,844
Accrued dividend income and tax reclaims due on dividend income	5,581	4,887
	7,320	6,731
Total Investment Assets	1,045,340	1,149,098

	2009/10 £'000	2010/11 £'000
Investment Liabilities		
Derivative Contracts (note P16)		
Futures - U.K.	-291	-
- Overseas	-223	-42
Forward foreign exchange contracts	-3,899	-1,455
	-4,413	-1,497
Other investment balances		
Creditors		
Outstanding settlement of investment transactions	-1,540	-3,740
Total Investment Liabilities	-5,953	-5,237
Current Assets		
Contributions due from employer	7,664	3,514
Other current assets (debtors)	236	233
Cash balances (internal)	10,353	5,155
	18,253	8,902
Current Liabilities		
Unpaid benefits	-2,403	-98
Other liabilities (creditors)	-1,693	-1,489
	-4,096	-1,587
	1,053,544	1,151,176

P14. Investment income

Investment income arises from the following investment categories:

	2009/10 £'000	2010/11 £'000
Fixed interest	8,391	8,788
Equities	8,491	7,940
Index-linked	1,857	2,821
Pooled investment vehicles	4,823	5,565
Interest on cash deposits	210	115
Private equity	-	49
Other income from stocklending and underwriting	20	91
	23,792	25,369
Withholding tax	-14	22
	23,778	25,391

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	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Value of investments at 1 st April 2010	7,934	8,014	187	212	8,121	8,226
Prior year adjustments	-1	7	-	-	-1	7
Contributions received in year*	668	627	3	4	671	631
Death in service premiums paid by members	-10	-10	-	-	-10	-10
Sales of investments	-1,014	-1,623	-2	-30	-1,016	-1,653
Changes in value of investments	437	459	24	1	461	460
Present value of investments	8,014	7,474	212	187	8,226	7,661

* Contributions paid by members in the Prudential scheme during 2010/11 totalled £626,889 (2009/10 £667,522) which included additional death in service premiums totalling £9,612 (2009/10 £9,773).

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

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

In the table below, the 'notional value' of the stock purchases under futures contracts is the economic exposure and the value subject to market movements as at 31st March 2011.

Derivative Contract Analysis

	Contract type*	2009/10 Notional Value £'000	2010/11 Notional Value £'000	Expiration	2009/10 Market Value £'000	2010/11 Market Value £'000
INVESTMENT ASSETS						
<u>Futures</u>						
Futures - UK - Fixed Interest						
UK Long Gilt Future	ET	-5,279	-17,810	Less than 3 months	7	86
UK Futures		-5,279	-17,810		7	86
Futures - Overseas - Fixed Interest						
Euro-Bund Future	ET	-	-2,470	Less than 3 months	-	28
US Ultra Bond Future	ET	-	1,542	Less than 3 months	-	46
US Treasury Bond Future	ET	5,971	-	Less than 3 months	61	-
Overseas Futures		5,971	-928		61	74
Total Futures		692	-18,738		68	160
<u>Options</u>						
Bond Call Option - Overseas						
US 10 Year Treasury Nts Future	ET	-	-	Less than 3 months	37	-
Bond Put Option - Overseas						
90 Day Eurodollar Future	ET	-	-	Less than 3 months	1	-
Total Options		-	-		38	-
<u>Forward foreign exchange contracts</u>	OTC	27,211	34,879	Less than 3 months	1,304	576
Total Derivative Assets		27,903	16,141		1,410	736

	Contract type*	2009/10 Notional Value £'000	2010/11 Notional Value £'000	Expiration	2009/10 Market Value £'000	2010/11 Market Value £'000
INVESTMENT LIABILITIES						
<u>Futures</u>						
Futures - UK - Interest Rate						
90 Day Sterling LIBOR Future	ET	-61,065	-	Less than 1 year	-291	-
UK Futures		-61,065	-		-291	-
Futures - Overseas - Fixed Interest						
Euro-Bund Future	ET	-21,126	-	Less than 3 months	-114	-
US 10 Year Treasury Nts Future	ET	30,885	-12,995	Less than 3 months	-99	-42
US 2 Year Treasury Nts Future	ET	-27,747	-	Less than 3 months	-10	-
Overseas Futures		-17,988	-12,995		-223	-42
Total Futures		-79,053	-12,995		-514	-42
Forward foreign exchange contracts	OTC	92,513	75,989	Less than 3 months	-3,899	-1,455
Total Derivative Liabilities		13,460	62,994		-4,413	-1,497

The total Futures' initial margin for 2010/11 was £0.5m (£1m 2009/10) and the total variation margin was £0.5m (£0.6m 2009/10). 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.

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

P17. Investments exceeding 5 per cent of Total Net Assets or that exceed 5 per cent of their Asset Class

At 31st March 2011 the Pension Fund held four, (2009/10, four) investments that each exceeded 5 per cent of the total value of the net assets of the scheme. These are detailed as follows:

<u>Investments exceeding 5 per cent of Total Net Assets</u>	2009/10		2010/11	
	£'000	%	£'000	%
* GMO Developed World Equity Investment Fund	163,708	15.5	176,715	15.3
*1 BlackRock Ascent Life US Equity Fund	87,561	8.3	94,012	8.2
*2 BlackRock Ascent Life European Equity Fund	70,325	6.7	75,910	6.6
*3 Hermes Property Unit Trust	60,428	5.7	63,325	5.5
	382,022	36.2	409,962	35.6

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

BlackRock investments are Unitised Insurance Policies

Hermes Property Unit Trust is a Property Unit Trust

A new requirement this year is to also identify investments which exceed 5 per cent of their asset class and these are detailed below showing the percentage of the asset class together with comparative figures for the previous year:

<u>Investments exceeding 5 per cent of their Asset Class</u>	2009/10		2010/11	
	£'000	%	£'000	%
Fixed interest securities				
Treasury 4.25% 2039	-	-	25,191	14.4
Treasury 4.25% 2040	-	-	21,243	12.1
Treasury 1.125% 2037	10,465	7.0	12,592	7.2
Treasury 4.25% 2032	-	-	9,135	5.2
Equities				
HSBC Holdings	20,737	7.7	19,765	6.6
Royal Dutch Shell 'B' Shares	16,522	6.1	22,060	7.4
Vodafone Group	13,833	5.1	17,268	5.8
BP	21,223	7.9	16,127	5.4
Rio Tinto	13,656	5.1	-	-
Index-linked securities				
Treasury IL 4.125% 2030	30,543	40.6	20,548	26.9
Treasury IL 2% 2035	9,183	12.2	9,624	12.6
Treasury IL 1.25% 2055	-	-	6,543	8.6
Treasury IL 0.625% 2040	3,737	5.0	7,423	9.7
United Kingdom IL 1.25% 2032	-	-	5,747	7.5
United Kingdom IL 1.875% 2022	-	-	5,728	7.5
Treasury IL 0.75% 2047	-	-	4,355	5.7
Pooled investment vehicles				
* GMO Developed World Equity Investment Fund	163,708	35.0	176,715	34.8
*1 BlackRock Ascent Life US Equity Fund	87,561	18.7	94,012	18.5
*2 BlackRock Ascent Life European Equity Fund	70,325	15.0	75,910	14.9
RIC-OMIGSA Emerging Markets Equity Fund	44,013	9.4	50,270	9.9
BlackRock Ascent Life Japanese Equity Fund	41,992	9.0	47,248	9.3
BlackRock Aquila Life Pacific Rim Equity	25,944	5.5	27,803	5.5
Property unit trusts				
*3 Hermes Property Unit Trust	60,428	100.0	63,325	100.0
Other investments - Venture Capital/Private Equity				
South West Venture Fund	2,381	63.5	2,507	71.1
Chandos Fund	1,370	36.5	1,019	28.9

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

P18. Changes to comparative figures

The Pension Fund makes compensatory added years payments on behalf of the employer bodies which awarded them and then reclaims the money back from the employer concerned. These payments are outside the scope of the LGPS and the expenditure and income resulting from the compensatory added years are no longer included in the accounts, comparative figures for 2009/10 have been amended to show this removal.

	2009/10	2009/10 re-stated	Difference
Recoveries for services provided	-1,191	-126	-1,065
<u>Pensions</u>	<u>45,583</u>	<u>44,518</u>	<u>1,065</u>
			-

Compensatory added years payments of £1m were paid out by the Pension Fund and then recovered from the employers concerned in 2010/11.

P19. Potential overpayments to pensioners

Following the Government's identification of a potential problem with incorrect indexation of an element known as the Guaranteed Minimum Pension (GMP) for a small percentage of public sector pensioners, they confirmed that any overpayments will not be reclaimed but future payments should be corrected.

We are still in the process of obtaining further potentially missing Guaranteed Minimum Pensions from the Department of Work and Pensions. Work progressed so far by the authority has not uncovered any material overpayments.

P20. Contributions breakdown

	2009/10 £'000	2010/11 £'000
From Employers:		
Normal	39,029	38,149
Augmentation	413	39
Deficit Funding	17,167	19,272
Other	8,861	2,663
Provision for Bad Debt	-150	-
	65,320	60,123
From Members:		
Normal	17,226	16,839
Additional Voluntary	585	472
	17,811	17,311

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

Other contributions are those contributions paid by an employer to compensate the Pension Fund for early retirement costs, excess ill health retirement costs or to improve their funding levels. During 2009/10 a staffing restructure resulted in a large number of early retirement costs, the decrease of £6.2m on the previous year reflects the more normal levels.

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 cost to reflect the delay in total payment. At 31st March 2011 £0.5m (2009/10 £4.7m) was due to the Pension Fund for early retirements.

Excess ill health retirement costs are invoiced for as they arise and funding level payments are made by an employer voluntarily. Employers now have an option to take out a separate ill-health insurance policy, with an external provider, to cover some of these costs.

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 2011 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

	2009/10 £'000	2010/11 £'000
On-going costs	1,203	1,089
One-off payments	263	-
Audit fees	49	32
Actuarial fees	154	256
	1,669	1,377

Within actuarial fees there were costs of £89,395 (£107,516) generated by specific employer requirements, these were then charged back to the employer. The corresponding income is included within Recoveries for Services Provided in the Fund Account.

P23. Cash

From the 1st April 2010 the Pension Fund has had its own bank account. At 31st March 2011 cash of £5.2m (£10.4m 2009/10) was invested through the County Council's short-term investment procedures.

P24. Contributions due from employers

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

	2009/10 £'000	2010/11 £'000
Employee Contributions	510	506
Employer Contributions	7,154	3,008
	7,664	3,514

During 2009/10 a staffing restructure resulted in a large number of early retirement costs. The decrease of £4.1m in outstanding employers' contributions on the previous year reflects the more normal levels of outstanding contributions.

P25. Actuarial present value of promised retirement benefits

The method used to calculate the actuarial present value of promised retirement benefits has been projected using a roll forward approximation from the latest formal funding valuation as at 31st March 2010.

Balance Sheet:

Year Ended	31 st March 2010	31 st March 2011
	£m	£m
Present Value of Promised Retirement Benefits	1,933	1,652

Net Assets Available for Benefits

Year Ended	31 st March 2010	31 st March 2011
	£m	£m
Net assets	1,054	1,151

Significant Actuarial Assumptions Used

Financial:

Year Ended	31 st March 2010	31 st March 2011
	% pa	% pa
Inflation/Pension Increase Rate	3.8	2.8
Salary Increase Rate	5.3	4.6
Discount Rate	5.5	5.5

Salary increases are 1% p.a. nominal for the year to 31st March 2011 and the year to 31st March 2012, reverting to 4.6% p.a. thereafter.

Mortality:

Life expectancy is based on the Fund's VitaCurves with Medium Cohort improvements from 2010 and a minimum improvement of 1% p.a. Based on these assumptions the average future life expectancies at age 65 are summarised below.

	Males	Females
Current Pensioners	21.7 years	23.6 years
Future Pensioners	23.5 years	25.8 years

Future pensioners are assumed to be currently aged 45

Historic Mortality:

Life expectancy for the below year end is based on the PFA92 and PMA92 tables. The allowance for future life expectancy are shown in the table below.

Year Ended	Prospective Pensioners	Pensioners
31 st March 2010	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007

Age ratings and loadings are applied to the above tables based on membership profile

Commutation:

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

P26. Nature and extent of risks arising from Financial Instruments

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

The main risks from the Fund's holding of financial instruments are market risk, credit risk and liquidity risk. Market risk includes price risk, interest rate risk and foreign currency risk.

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

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

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

Market Risk

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

In general, market risk is managed through the diversification of the investments held by asset class, investment mandate guidelines and Investment Managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee.

Market Price Risk

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

Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The Investment Managers mitigate this risk through diversification in line with their own investment strategies and mandate guidelines.

Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of return experienced by each investment portfolio during the year to 31st March 2011. The volatility data is broadly consistent with a one-standard deviation movement in the value of the assets. The analysis assumes that all other variables remain constant.

Movements in market prices would have increased or decreased the assets, as held by the Fund's custodian, at 31st March 2011 by the amounts shown below.

As at 31st March 2011	Value £'000	Volatility of return %	Increase £'000	Decrease £'000
Standard Life – UK Equities	308,496	17.3	53,370	-53,370
Acadian – Emerging Markets	50,272	15.3	7,691	-7,691
WAMCO – Bonds	285,885	5.2	14,866	-14,866
Hermes – Property Unit Trust	64,397	2.5	1,609	-1,609
BlackRock – Overseas Equities	253,772	13.7	34,767	-34,767
YFM – Private Equity	4,025	21.0	845	-845
GMO – Global Equities	176,715	12.6	22,266	-22,266
Legacy Fund Manager Assets	102	39.0	40	-40
Total for Gloucestershire Fund*	1,143,664	9.7	110,935	-110,935

* Please note that this is a separate calculation for the Fund as a whole and not a sum of the above.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates which will affect the value of fixed interest and index linked securities. The amount of income receivable from cash balances will be affected by fluctuations in interest rates.

Foreign Currency Risk

Foreign currency risk represents the risk that the fair value of financial instruments when expressed in sterling, the Fund's base currency, will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on investments denominated in a currency other than sterling. For a sterling based investor, when sterling weakens, the sterling value of foreign currency denominated investments rises. As sterling strengthens, the sterling value of foreign currency denominated investment falls. Apart from permitting the fixed income portfolio manager to hedge currency exposures back to sterling, the Fund's current policy is to not hedge foreign currency exposure.

Credit Risk

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

The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties including brokers, custodian and investment managers minimises credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's contractual exposure to credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the position in the event of a counterparty default. Bankruptcy or insolvency of the custodian may affect the Fund's access to its assets. However, all assets held by the custodian are ring-fenced as "client assets" and therefore can not be claimed by creditors of the custodian. The Fund manages its risk by monitoring the credit quality and financial position of the custodian.

The Fund's bond portfolios have significant credit risk through its underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default). However, it should be noted from historical data that the probability of default of investment grade bonds is 6.75% over a twenty year period (Data: Moodys 1920-2010). This means that in a portfolio of one hundred investment grade bonds held for twenty years, seven would have defaulted by the end of the period.

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

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

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

The credit risk within the bond portfolio can be analysed using standard industry credit ratings and the analysis as at 31st March 2011 is set out below.

Credit Analysis

31 st March 2011	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000
UK Gilts	64,296	-	-	-	-	-	-
UK Index Linked	75,297	1,017	931	-	47	-	-
Overseas Govt Bonds	16,952	-	-	-	-	-	-
Corporate Bonds	-	13,045	26,804	19,381	11,952	3,704	896
Asset Backed	5,401	2,168	9,952	7,717	342	-	-
Emerging Markets	-	-	8,236	-	-	-	-
Mortgages	919	-	-	-	-	-	-
Supra/Sov/Local Govts	5,845	-	-	-	-	-	-
Cash/Cash Equivalents/Currency Forwards	11,384	-	412	-	-	-	-123
	180,094	16,230	46,335	27,098	12,341	3,704	773
% of Fixed Interest Portfolio	62.8	5.6	16.2	9.5	4.3	1.3	0.3

Liquidity Risk

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

Fair Value Hierarchy

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

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

The following sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy, as held by the Fund's custodian, at 31st March 2011.

Type of Asset	Level 1 £'000	Level 2 £'000	Level 3 £'000
UK Equities	304,318	-	-
Global Equities	225,969	-	176,715
Emerging Mkts	-	-	50,271
Property Unit Trust	-	-	63,325
Fixed Interest	6,956	245,511	18,913
Futures	117	-	-
Unitised Insurance Policy	27,802	-	-
Private Equity	-	-	3,526
Cash & Cash Equivalents	3,938	245	16,058
TOTAL	569,100	245,756	328,808

Fire Pensions Accounts**Fund Account for the year ended 31st March 2011**

2008/09	2009/10				2010/11	
Total £'000	Total £'000			FPS £'000	NFPS £'000	Total £'000
Contributions Receivable						
From employer						
-1,747	-1,737	Normal		-1,477	-198	-1,675
-	-	Early retirements		-	-	-
-53	-35	Other: ill health retirement		-19	-6	-25
From members						
-938	-948	Normal		-763	-154	-917
-5	-6	Other: added years		-6	-	-6
Transfers in						
-340	-24	Individual transfers in from other schemes		-	-78	-78
-	-	Other		-	-	-
Benefits Payable						
3,359	3,635	Pensions		3,805	-	3,805
1,876	1,351	Commutations & lump sum retirement benefits		914	2	916
-	-	Lump sum death benefits		-	-	-
-	-	Other		-	-	-
Payments to and on account of leavers						
-	-	Refunds of contributions		-	-	-
-	-	Individual transfers out to other schemes		-	4	4
2,152	2,236	Net amount payable / receivable for the year before top-up grant receivable / amount payable to Central Government		2,454	-430	2,024
-2,152	-2,236	Top-up grant receivable / payable to Central Government		-2,454	430	-2,024
Net amount payable / receivable for year						
-	-			-	-	-

Fire Pensions Accounts

Net Assets Statement for the year ended 31st March 2011

2008/09	2009/10			2010/11
Total	Total			Total
£'000	£'000			£'000
Net current assets and liabilities				
-	-	Contributions due from employer	-	-
-337	-1,164	Pension top-up grant receivable from sponsoring department	-53	-53
-	-	Unpaid pension benefits	-	-
-	-	Amount due to sponsoring department	-	-
-	-	Other current assets and liabilities	-	-
337	1,164	Amount owing to general fund	53	53
-	-		-	-

NOTES

- a) The Firefighters' pension fund is administered by the 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 wholotime 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 wholotime 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/WAG and subject to triennial revaluation by the Government Actuary's Department.
- c) Pension benefits are payable from the fund in accordance with the relevant statutory provisions and include ordinary and ill-health awards. Any ongoing Injury awards are not payable from the fund.
- d) The fund has been prepared to meet the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. There are no administration charges included in the accounts and the fund's financial statements do not take into account any liabilities to pay pensions and other benefits after the period end.
- e) The liability under IAS 19 is disclosed in note 37 of the Notes to the Accounts.
- f) The net asset statement disclosed at 1.4.09 includes no material changes as a result of IFRS implementation.

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.

Accrual

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

Actuary

An adviser on financial questions involving probabilities relating to mortality and other contingencies. Every three years the Scheme appointed actuary reviews the assets and the liabilities of the Fund and reports to the Group Director of Business Management on the financial position. This is known as the triennial actuarial valuation.

Active Investment Management

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

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Admitted Body

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

Amortisation

The drop in value of intangible assets as they become out of date.

Additional Voluntary Contributions (AVC's)

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

Benefits in Kind

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

Best Value Accounting Code of Practice (BVACOP)

Modernises the system of council accounting and reporting to ensure that it meets the changed and changing needs of modern local Government; particularly the duty to secure and demonstrate Best Value in the provision of services to the community. The CIPFA Service Reporting Code of Practice (SeRCOP) replaces the previous Best Value Accounting Code of Practice (BVACOP) from 2011/12.

Capital Expenditure

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

Class of Tangible Fixed Assets

The classes of tangible fixed assets required to be included in the accounting statements are:

Operational assets

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

Non-operational assets

- Assets under construction
- Surplus assets, held for disposal.

Code of Practise (CODE)

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

Community Assets

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

Consistency

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

Contingent Asset

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

Contingent Liability

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

Corporate and Democratic Core

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

Dedicated Schools Grant (DSG)

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

Deferred Charges

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

Deferred Retirement Benefit

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

Depreciation

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

Derivative

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

Disclosure

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

Discretionary Benefits

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

Estimation Techniques

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique.

Events After the Balance Sheet Date

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

Exceptional Items

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

Exchange Traded Funds (ETFs/ET's)

A fund that tracks a selection or 'basket' of related securities within a stock market index but can be traded on an exchange like a stock or share.

Extraordinary Items

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

Fair Value

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

Finance Lease

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

Funding Level

The relationship at a specified date between the actuarial value of assets and the actuarial liability. Normally expressed as a funding ratio or percentage.

Futures Contracts

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

Going Concern

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

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a council in return for past or future compliance with certain conditions relating to the activities of the council.

Guaranteed Minimum Pension (GMP)

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

IFRS

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

Inventories

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Impairment

A loss in the value of a fixed asset, arising from physical damage such as a major fire or a significant reduction in market value. In addition a reduction in value where there is insufficient unrealised gains in the revaluation reserve for that asset. A loss in the value of a financial instrument arising from market conditions.

Infrastructure Assets

Fixed assets that are not able to be transferred and expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Investment Management Agreement

The document agreed between an investment manager and the Fund setting out the basis upon which the manager will manage a portfolio of investments for the Fund.

LAAP

Local Authority Accounting Panel. The panel regularly issues LAAP Bulletins to local authority practitioners. These Bulletins provide guidance on topical issues and accounting developments and when appropriate provide clarification on the detailed accounting requirement

Liquid Resources

Current asset investments that are readily disposable by the council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Long-term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Managed Fund

An arrangement where the assets of a scheme are invested on similar lines to the operation of unit trusts by an external investment manager.

Market Value

The price at which an asset might reasonably be expected to be sold in an open market.

Membership

Local authority employment during which time pension contributions were made or deemed to have been made providing entitlement to benefits under the scheme.

Net Book Value

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

Non-operational Assets

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

Open Ended Investment Company (OEIC)

A pooled investment vehicle structured as a limited company in which investors can buy and sell shares on an ongoing basis.

Operating Leases

Under this type of lease, the risks and rewards of ownership of the leased goods stay with the company leasing out the goods.

Operational Assets

Fixed assets held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the council.

Options

The right but not the obligation to buy (call option) or sell (put option) a specific security at a specified price (the exercise or strike price), at or within a specified time (the expiry date). This right is obtained by payment of an amount (known as the premium) to the writer (seller) of the option, and can be exercised whatever happens to the security's market price.

Over The Counter (OTC)

A market that is conducted between dealers by telephone and computer and not on a listed exchange.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pensionable Earnings

The earnings on which benefits and/or contributions are calculated under the scheme rules.

Pension Interest Cost and Expected Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Pooled Investment Vehicle

A fund in which a number of investors pool their assets, which are managed on a collective basis. The assets of a pooled investment vehicle are denominated in units that are revalued regularly to reflect the values of underlying assets. Vehicles include: open ended investment companies, real estate investment trusts and unit trusts.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits funding method in which the actuarial liability makes allowance for projected earnings. The standard contribution rate is that necessary to cover the cost of all benefits which will accrue in the control period following the valuation date by reference to earnings projected to the dates on which benefits become payable.

Public Works Loans Board (PWLB)

A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.

Quoted Investments

Investments that have their prices quoted on a recognised stock exchange.

Realised Gains/ (Losses)

Profit/(losses) on investments when they are sold at more/(less) than the purchase price.

Related Parties

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

- One party has direct or indirect control of the other party, or
- The parties are subject to common control from the same source, or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests, or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of the council include:

- Central Government
- Local authorities and other bodies precepting or levying demands on the council tax
- Its subsidiary and associated companies
- Its joint ventures and joint venture partners
- Its members
- Its chief officers, and
- Its pension fund.

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

- Members of the close family, or the same household, and
- Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a

- The purchase, sale, lease, rental or hire of assets between related parties
- The provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party
- The provision of services to a related party, including the provision of pension fund administration services
- Transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserves

Amounts set aside in one year's accounts to be spent in future years. Some reserves are earmarked for specific purposes and other general revenue balances are available to meet future revenue and capital expenditure.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Scheduled Bodies

Local authorities and similar bodies whose staff are entitled automatically to become members of the Local Authority Pension Fund.

Segregated Fund

Where the assets of a particular fund are managed independently of those of other funds under the fund manager's control.

Soft Loans

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

Specialist Management

A fund management arrangement whereby there are separate accounts or contracts with one or a variety of managers for specific asset classes. Each manager focuses mainly on stock selection within the asset class while the Pension Committee/trustees determine allocations to each asset class.

Tangible Fixed Assets - Property Plant & Equipment

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

Transfer Payment

A payment made from a pension scheme to another pension scheme in lieu of benefits which have accrued to the member or members concerned, to enable the receiving arrangement to provide alternative benefits.

Transfer Value

The amount of the transfer payment.

Trust Funds

Funds administered by the Council on behalf of others for such purposes as prizes, charities and specific projects.

Unitised Insurance Policy

Investors are issued with a life policy representing title. Investors' 'holdings of units' represent a means of calculating the value of their policy. The life fund/company holds the pool of investments and is the owner of all the assets. The activities of life companies are regulated by the FSA.

Unit Trust

Unit trusts are collective funds which allow private investors to pool their money in a single fund, thus spreading risk, getting the benefit of professional fund management and reducing dealing costs. Unit trust trading is based on market forces and their net asset value - that is the value of their underlying assets divided by the number of units in issue. The activities of unit trusts are regulated by the FSA.

Unquoted Investments

Investments which are dealt in the market but are not subject to any listing requirements and are given no official status.

Useful Life

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

Unrealised Profit

This is the anticipated profit that would be generated from selling the asset.

Usable capital receipts

The proportion of the proceeds arising from the sale of fixed assets that can be used to finance capital expenditure or repay debt.

Venture Capital

The term used to describe a subset of private equity, covering the seed to expansion stages of investment.

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