

# Statement of Accounts

## 2021-22



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## Foreword to Narrative Report

The past twelve months have continued to be extremely challenging for us all: despite this we can have an overwhelming sense of pride in how our great county has responded in the face of the pandemic. All communities have worked together to support and protect each other and especially those most vulnerable to Covid-19. Years of robust financial management meant we went into the pandemic in a strong position, able to allocate our own funds, supported by additional Government funding. This meant we could swiftly and effectively act to support our communities.

We know that there are many challenges ahead: these include pressure on the services we provide to the most vulnerable children, adults and families; the fight against climate change; and the need to ensure our economy rebounds following the Covid-19 emergency. But we are in a good position, with a clear focus of where we are going, backed by a solid financial position. Our strategy 2022-2026 'Building Back Better in Gloucestershire' sets out a clear vision and priorities, focusing on creating a greener, healthier, more prosperous Gloucestershire for everyone.

Five years of investment to support the improvement in Children's Services has now been recognised by Ofsted with the inspection in February 2022 giving a judgement of 'requires improvement to be good' replacing the 'inadequate' ruling in March 2017. Inspectors highlighted the relentless drive for improvement and the significant financial investment made by the council, which has resulted in children being better protected. All of this achieved in the face of a global pandemic.

We have recognised the need to invest further in our Fire and Rescue Service. The additional £2 million revenue funding provided in 2022 will enable us to achieve the improvements required by Her Majesty's Inspectors of the Constabulary and Fire and Rescue Services (HMICFRS) in order to deliver high standards of community safety and emergency response services to the communities of Gloucestershire.

We are already hard at work planning the roll-out of a countywide network of electric vehicle charging points, further improvements to the highways network and making sure it effectively supports all modes of travel including cycling and walking. We're working on an innovative skills hub to support residents and the economy; tackling health inequalities; and delivering more new and improved school facilities for our young people. And, as we hopefully leave Covid-19 behind, we are working with local, regional and national partners to help our economy not just recover, but to grow strongly in the years ahead.

As ever there is a lot to do, but with a strong collective commitment we are confident we will continue to take Gloucestershire from strength to strength.



**Cllr Mark Hawthorne**  
**Leader**



**Peter Bungard**  
**Chief Executive**

## Deputy Chief Executive and Executive Director of Corporate Resources Narrative Report

### Introduction

Welcome to Gloucestershire County Council's Statement of Accounts for 2021/22. The Statement of Accounts reports the income and expenditure on service provision for the financial year and the value of the Council's assets and liabilities at the end of the financial year. This is done in accordance with proper accounting practices, as defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and in accordance with the Accounts and Audit Regulations 2015.

For 2021/22 an extended statutory approval date of 30<sup>th</sup> November 2022 is in place, with a requirement for me to provide certification by 31<sup>st</sup> July 2022, that the draft Statement of Accounts give a true and fair view of our financial position as at 31<sup>st</sup> March 2022.

Our 2021/22 audited Statement of Accounts needs to be submitted to the Council's Audit & Governance Committee (our appropriate body) for approval by 30<sup>th</sup> November 2022, following a thirty-day public inspection period which must commence on or before the first working day in August 2022.

In line with these timescales our 2021/22 Statement of Accounts, are prepared to adhere to the statutory deadlines, with the Statement of Accounts being available to our auditors, Grant Thornton, on 22<sup>nd</sup> July 2022. Continuing to produce a quality set of accounts has only been possible due to the hard work and dedication of staff in Strategic Finance and across the whole Council.

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

This Narrative Report provides information about Gloucestershire, including the key issues affecting the Council and its accounts. It provides a summary of the financial position as at 31<sup>st</sup> March 2022 followed by an explanation of the financial statements, including information on significant transactions during 2021/22.

To comply with the Code, the information contained in the accounts is, by necessity, technical and very complex, hence the length of the accounts. The aim of this narrative report is not only to provide readers with a wider overview of the Council's financial position for the year ending 31<sup>st</sup> March 2022 but also to enable an understanding of the key issues. It does this by presenting an analysis of the budgeted and actual net expenditure for 2021/22 based on the management accounts, and then provides a summary of the key financial statements included within the statutory final accounts.

## Our Context

Gloucestershire is a great place to live, work and do business. Most local people enjoy a high standard of living; and our levels of health and wellbeing are comfortably above the average for the country. Local people are well-educated, unemployment is low and Gloucestershire's economy is strong and resilient.

Our natural environment is incredibly varied with 38 landscape character types, 143 Sites of Special Scientific Interest and 3 Areas of Outstanding Natural Beauty which covers 51% of the county's area, as well as nature reserves and other natural assets.

However, there are areas of the County where residents' outcomes fall well below national averages and where, as a result, local people are more likely to depend on the services we provide in order to meet their needs. 19,415 people (3.1% of the county's population) live in areas amongst the most deprived 10% in England.

As well as being one of its best assets, the rural nature of the County makes it difficult for some people to access the services they need and three out of every twenty Gloucestershire households have no access to a car or van.

Gloucestershire is growing in line with England as a whole with a rise of approximately 46,600 people or 7.9% since 2009, this compares to an increase of 7.8% nationally. The population is also changing. The number of older people is predicted to continue to rise sharply over the coming years, and the biggest increases will be seen in the number of over-85's. As this is the age group most likely to need support from the Council, this means that health and care services need to be ready to respond to greater numbers of people with higher levels of health needs.

Meanwhile, the child population is increasing at a slower rate, yet we will still see increases in demand for school places over the next 5 to 10 years, and demand for services for vulnerable children is increasing in line with national trends.

Conversely, there is expected to be no growth in the number of working-age adults in the County, meaning that, as a proportion of the population as a whole, the number of people who are more likely to rely on the Council for support is increasing.

Unemployment in Gloucestershire remains low compared to the rest of the UK and the South West Region, although it has recently increased as a result of the Covid-19 crisis. As a result, the claimant rate in Gloucestershire stood at 2.7% in March 2022, compared to 4.6% in March 2021, and 2.0% in March 2020.

While these issues are not unique to Gloucestershire, they do pose significant challenges. We need to be imaginative about how we deliver services, help people to stay healthier longer, build communities that are resilient and provide the help and support needed.

## Council Strategy

The Council's vision, ambition and priorities for Gloucestershire are brought together in a Council Strategy – Building Back Better in Gloucestershire (2022 – 2026).

## Vision and Ambitions

The Council's vision is

*To make the most of all that Gloucestershire has to offer, help improve the quality of life for every community, support businesses to be successful and make sure the county is a place where people want to live, work and visit.*

This is underpinned by nine ambitions for Gloucestershire. These are to be:

- **A Magnet County** - A growing working age population, with more 18-40 year olds with high level qualifications choosing to live and work in the county
- **An Innovative County** - More businesses starting up, growing and investing in research and innovation
- **A Skilled County** - More people with high-level skills and jobs in skilled occupations
- **A Prosperous County** - Rising productivity and household incomes offering higher living standards
- **An Inclusive County** - The economic and social benefits of growth to be felt by all communities, including rural, urban and our areas of highest deprivation. Opportunities to be available for all and good relations between those who have protected characteristics and those who do not
- **A Healthy County** - People to have a good work/life balance and improved health and wellbeing
- **A Connected County** - Improved transport and internet connections so that people and businesses can connect with each other more easily
- **A Sustainable County** - More efficient use of resources, more use of sustainable energy and net zero emissions by 2045
- **A Resilient County** - Active, resilient local communities that keep people safe, provide them with support and help them to make a positive contribution

The Council's Priorities for 2022 to 2026 are as follows:

### Tackling Climate Change

- Deliver a Climate Change Strategy and Action Plan that reduces council emissions to net zero by 2030 and helps to reduce Gloucestershire's emissions to net zero by 2045;
- Support communities and businesses to do their bit, investing in 1000 electric vehicle charge points & to increase Gloucestershire's woodlands and biodiversity;
- Lead by example, putting climate change at the heart of our decisions and working in partnership across Gloucestershire's public sector to make the greatest impact.

### Improving Our Roads

- Invest a further £100M in road resurfacing over 4 years;
- Reduce the number of roads which require significant repair or replacement;
- Improve network resilience to adverse conditions;
- Improve customer satisfaction with road condition;

- Do more proactive planned works and fewer reactive repairs;
- Refresh our road safety policy and review speed limits where there is an evidenced safety concern.

### **Sustainable Growth**

- Encourage the development of a single plan for Gloucestershire's future growth, through partnership working between all local authorities and other stakeholders;
- Secure the funding for the infrastructure needed to deliver this growth;
- Make sure that the skills, training and education are directly linked to the future jobs being created.
- Support delivery of the Gloucestershire Climate Change Strategy by ensuring growth is sustainable and supports development of green skills and jobs.

### **Levelling up our Communities**

- Work with local partners to attract national Levelling Up Funding to regenerate our high streets, market towns and neighbourhoods;
- Listen to local communities about what they want to achieve and how;
- Work alongside neighbourhoods to develop plans that build on their strengths, and attract local and national investment to help deliver them;
- Support local residents to develop new skills, careers and job opportunities;
- Link local people to jobs by providing sustainable transport solutions and reducing barriers to employment;
- Shape local community services to make sure they can adapt to the needs and aspirations of local residents;
- Work with local schools and academies to improve the quality of local education provision.

### **Securing Investment for Gloucestershire**

- Support the delivery of major transport investment;
- Progress the delivery of the Gloucestershire Sustainable Travel Corridor;
- Bid for funding to improve M5 Junction 9 and re-route the A46 to help deliver the Garden Town proposals;
- Work with the Western Gateway Partnership to secure improved rail connections that support business and leisure needs;
- Secure nationally important investment programmes to create improved job opportunities, including Cyber Central as part of the Golden Valley development, and bidding to host the UK's first Nuclear Fusion Power Plant.

### **Transforming Children's Services**

- Continue to develop a comprehensive range of good quality education, early years and care provision that meets the needs of all young people, including those with additional needs;
- Improve our early intervention/early help offer delivered through a multi-agency Family Hub model;
- Support local schools to develop a high performing local education system that meets the needs of all pupils, particularly the most vulnerable;
- Continuously improve services through effective intervention and development of local provision. Build on our investments in local provision such as Trevone House and our £150M investment in schools;
- Invest in social workers and other frontline staff by developing our comprehensive training and development offer, supported by the Children's Services Academy.

## **Transforming Adult Social Care**

- Make early intervention and prevention, together with strength-based working, into all aspects of our work across the Adult Social Care System, and in our engagement with the developing Integrated Care System in the county;
- Build a world class 'model' of short term care (the 'Enhanced Independence Offer') together with the NHS and other partners;
- Deliver a Technology Strategy: exploring the potential of technology to support carers and improve the quality of care that people receive.
- Work with independent care providers to address capacity gaps and over provision, including use of central government funding to improve the terms and conditions of care sector staff.
- Respond to Government legislation which will begin a once in a generation transformation of adult social care.

## **Transforming Gloucestershire Fire and Rescue Service**

- Deliver our Service Improvement Plan supported by additional investment and resources;
- Improve the culture of our service;
- Embed the Fire Professional Standards to make sure our staff and the communities we serve are safe and well;
- Deliver our Community Risk Management Plan (CRMP) to reduce the risk of fire and other emergencies in the county.

## **Improving Customer Experience**

- Make it easier and quicker for customers to find the advice or support they need.
- Wherever possible resolve issues/questions the first time a customer contacts us.
- Look to find the best possible solutions for our customers, even if that means looking beyond our own role or services.
- Develop a Customer Improvement Strategy, to make sure our staff – and customers - know what we expect from them.
- Regularly ask customers how we are doing and respond to what they tell us
- Train and support staff to deliver a consistently positive/fair experience for all customers.
- Maintaining ways for customers to get help and information by phone and in person, including those that lack digital skills and online access.

## **During 2021/22, we have: -**

- Delivered £7.393 million savings
- Continued to modernise the workforce to respond to changing needs and challenges
- Continued to make improvements to support our vision to become a council that empowers and enables its staff to work flexibly, whilst continuing to meet business needs and promoting a healthy work / life balance. These new ways of working were supported in 2021/22 through investment in video conferencing technology, refurbishment of office accommodation to better meet the requirements for how our buildings will be used moving forward, and working with teams to think differently about how they will work in the short and longer-term.

## Covid-19

The Council responded to the pandemic by committing additional people and resources to ensure that our vital council services continue to all our communities and especially to those most vulnerable, supported by additional Government funding. Our staff continued to work tirelessly with our external partners to ensure the needs of our community were being met in these unprecedented times, including realigning delivery models, providing additional accommodation for our rough sleepers, providing food, medical supplies and care support through our community hub programmes, providing essential protective equipment and maintaining safe school provision for children of key workers where required.

The additional costs associated with this emergency, together with reduction in budgeted income streams have been considerable and could not have been undertaken without additional emergency funding from the Government.

The Council received additional emergency funding from the Government totalling £11.526 million, together with a further £29.902 million in specific ring-fenced grant funding. As a result the Council has been able to successfully manage these additional pressures from within these additional funding allocations without significant impact on the 2021/22 budget position. Surplus grant balances available have been carried forward and will be fully utilised in 2022/23 in supporting the people of Gloucestershire.

The Covid-19 pandemic has also significantly impacted income collections for both Business Rates and Council Tax. Central Government have provided additional support to businesses, and as a result the Council is entitled to additional S31 grant. This grant offset Business Rates income losses during 2020/21 that impacted on the Council's 2021/22 income and totalled £10.637 million. In addition, Central Government has provided extra Local Council Tax Support Grant totalling £4.737 million to help support the 2021/22 budget. To offset losses from business rates impacting on the 2022/23 budget, extra reliefs were provided by central government to district councils during 2021/22. Our share of these reliefs are accrued at year end and £4.587 million will be received during 2022/23. The Council has also accrued for an additional £1.367 million for 2021/22 under the Covid-19 Additional Relief Fund. This funding was provided in full to district councils in 2021/22, so the accrual represents our share of the grant. This funding is due to be received in 2022/23.

## Ofsted Inspection of Services for Children

Ofsted undertook an Inspection of services for children in need of help and protection, children looked after and care leavers in February 2022. The outcome of the inspection gave a judgement of 'Requires improvement to be good'. The inspection had been delayed due to the pandemic with the previous one having taken place in March 2017 when the overall outcome of the inspection was that children's services in Gloucestershire were inadequate.

Ofsted recognised the significant progress that had been made in many areas of children's services since the last inspection in 2017. Inspectors highlighted the relentless drive for improvement and significant financial investment made by the council, which has resulted in children being better protected. They also commended social workers for their passion in achieving the best for children they support and how generally a more stable workforce was helping to deliver better support for children and young people. The social work academy was another area of strength identified by inspectors,

which will support Gloucestershire to deliver a strong, effective workforce for years to come. All of this achieved in the face of a global pandemic.

More remains to be done to ensure all children benefit from improved services but the service is ambitious and committed to achieve this. The approach will be to consolidate the improvement to date and reset the ambition for continued improvement to ensure that the council delivers a consistently high-quality service by spreading what is done well to all elements of the service. A step-change that will build sustainably good outcomes will be delivered through leadership & practice development and innovation and partnership that will respond to the Ofsted findings and recommendations. This will be achieved through focussing on timely and skilled interventions, eradicating drift and delay and building sustainable outcomes through sufficiency planning for placements and early help as examples.

## **Funding for Adult Social Care**

Adult Social Care budgets continue to be under significant pressure in 2021/2 both locally and nationally - this pressure was enhanced by the ongoing cost of responding to the pandemic. Adults Social Care has for a number of years been funded by a series of one-off or time limited mechanisms. Funding for the pandemic has added to this. The Social Care Reform will hopefully address these funding issues with considerable work to be undertaken before the implementation date.

Demographic changes indicate a rising demand for support to people with increasing complex needs. This continues to be managed through the Adult Single Programme and involves a range of partnerships, both with other public bodies, provider organisations and the voluntary and community sector. The Programme reflects the scale and pace of change required to ensure we can promote and support people to live independently within the County. Communicating our intentions and listening to the voice of those we support is central to enabling us to effectively do this. At the heart of this work is the frontline three tier conversation approach (Tier One – Help to help yourself, Tier Two – Help when you need it and Tier Three – Ongoing support for those that need it) which gives structure to the focus on helping people to help themselves. This approach continued to be delivered during 2021/2022, however many were impacted by Covid-19. We continue to work even closer with partners as we emerge from the pandemic to ensure that the transformation programme remains on track even if slightly delayed. The Social Care Reform requirements are being brought into the Programme in 2022/23.

## **Community Safety Directorate (CSD)**

The Portfolio Management Board continues to oversee the improvement journey for CSD. In relation to Gloucester Fire & Rescue Service (GFRS), Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) have reported encouraging progress since their first inspection in 2019. Since then, HMICFRS completed their second full inspection in the Autumn of 2021 and the two causes of concern identified have been added to the improvement journey. Progress continues to be reported through the respective scrutiny and audit governance arrangements.

The Coroner's Service was inspected by the Human Tissue Authority (HTA) and immediate feedback identified no major shortfalls in service delivery against a significantly more robust standard. The team was praised for the completeness and

organisation of their standard operating procedures and the excellent camaraderie to be seen between team members.

Trading Standards recognised the need to address succession planning and building resilience into an aging workforce. An Apprentice and two trainee Officers were appointed and are undertaking professional qualifications to add that resilience to the Service.

## People

The way in which the Council delivers its services continues to change including adopting different ways of working to enable a more agile workforce, whilst at the same time contributing to our climate change agenda. We continue to evolve our approach to the way our employees deliver and commission services and to the way we work making the best use of technology.

### Workforce Headcount

Gloucestershire County Council employed 3,960 individuals as at 1<sup>st</sup> April 2022, this includes 456 Gloucestershire Fire & Rescue service staff, but excludes all schools staff and casual staff. If a member of staff has two contracts with the Council, they are only counted once in the above figure. GCC Workforce Headcount statistics are published on its [website](#).

We are developing a Workforce Strategy for 2022-25 which will recognise that the Council is a major stakeholder and influencer on behalf of the people of Gloucestershire and we play a leading role amongst a wide range of partners in delivering public services. We have an ambition to transform and strengthen community services and this strongly influences our view of what comprises 'the workforce'. It is our aim to innovate and adapt to achieve the delivery of our statutory responsibilities and to continually improve the quality of services delivered. Therefore, we will develop our workforce to be motivated and skilled to work creatively, flexibly and efficiently, with our Council core values; accountability, integrity, empowerment, respect and excellence, at the centre of what we do.

### Consideration of the Equality Duty and Decision Making

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

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

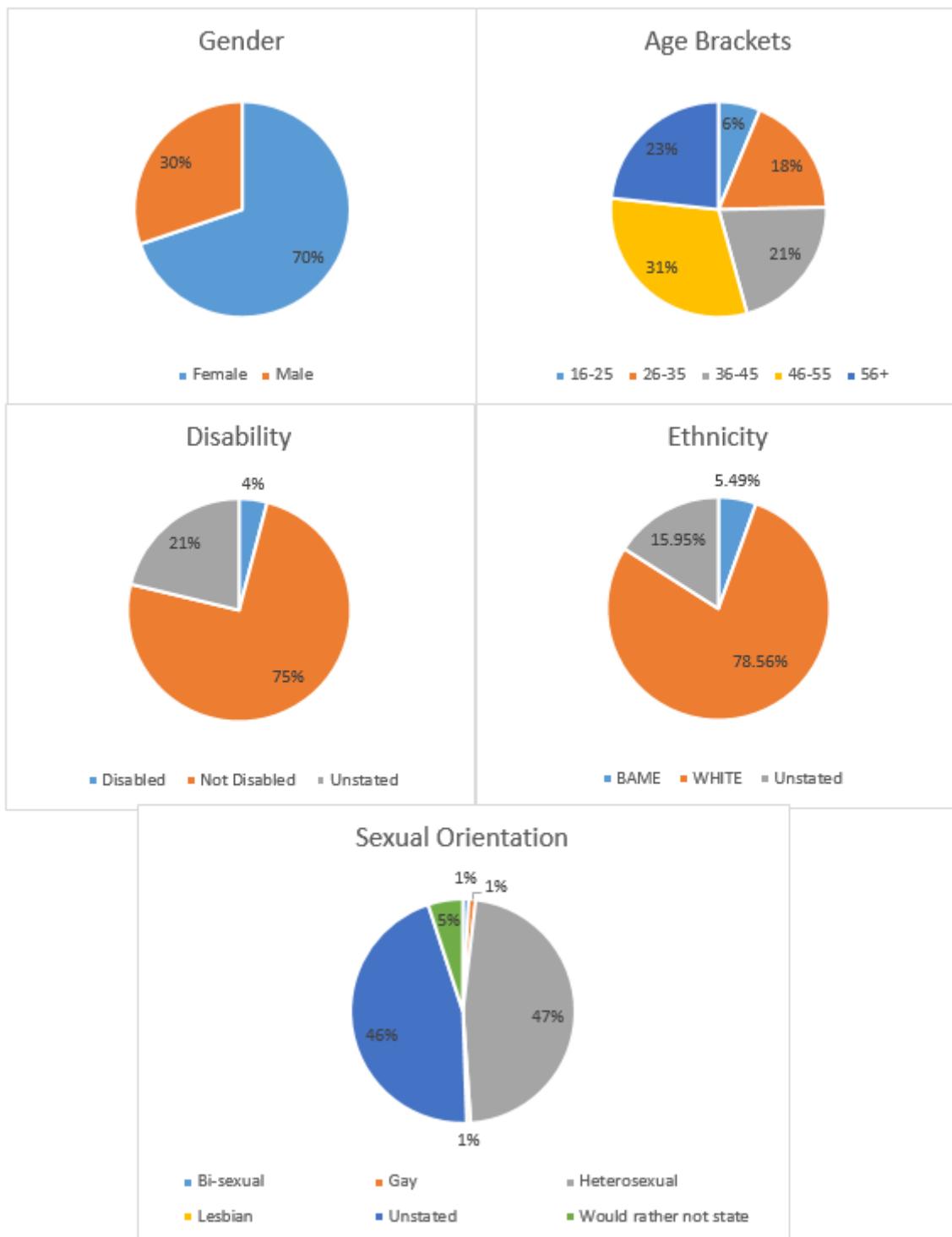
- Eliminate discrimination, harassment and victimisation.
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it.
- Foster good relations between people who share a protected characteristic and people who do not share it.

Our process ensures that decision makers consider these aims as part of their day to day working practices and our policies reflect that approach.

The Council's most recent annual Equalities Report (2021) is a snapshot based on the 4,043 employees as at 1<sup>st</sup> February 2021. In addition to those included in our headcount figures regularly published on the transparency pages of our website, this figure also includes employees from the Gloucestershire Fire and Rescue Service on a permanent

or fixed term basis and those staff engaged on a casual basis where an ongoing employment relationship exists.

The Council's workforce profile (as at 1<sup>st</sup> February 2021) is illustrated in the following graphs, and is based on the data that is submitted by our workforce. We continue to encourage people to report openly so that our policies are as fully informed by staff feedback as they can be.



Further information from the Council's 2021 Workforce Equalities Report can be found on the Council's website at: <https://www.goucestershire.gov.uk/council-and-democracy/equalities-and-our-duties-under-the-equality-act-2010/equality-information-and-analysis/>

## Performance

The context of the pandemic continues to be an important factor in our performance. Many services were affected by the impact of Covid-19 in 2021/22. Changes to working conditions, processes, resource capacity fluctuations and access issues all brought challenges and occasional opportunities to service delivery and planning.

### Adult Social Care

While the Council's Adult Single Programme has continued to drive a significant shift in culture and approach across adult social care which focuses on helping people to find their own solutions to stay independent, there are a number of significant challenges facing the care market currently which have impacted both home care provision and care home provision. The 2020 pandemic, along with other factors has decreased the staffing levels in care agencies with many staff choosing to work in other industries. The cost in delivery has also increased, for example, costs for infection, prevention and control, along with inflationary increases.

The service is also facing challenges with regard to its workforce. Adult Social Care is experiencing high turnover and staff sickness levels, with a doubling of turnover over the last 18 months (from a low of 7.6% in the 12 months to September 2021, to 14.1% in the 12 months to March 2022).

Demand for some services is also increasing following the pandemic. Approved Mental Health Professional (AMHP) assessments (for those people in Mental Health crisis) continues to be high with a similar number of assessments undertaken in 2021/22 as in 2020/21 (1,340 assessments compared with 1,331). A growing number of Financial Assessments & Benefits (FAB) assessments were underway at the end of March 2022 (313 up from 139 at the end of Quarter 1 and 194 at the end of Quarter 3). The time taken to undertake ongoing assessment is also increasing, with assessments open for an average of 86 working days at the end of Quarter 4, up from 36 working days at the end of Quarter 1).

Future challenges for social care will be the incoming Care Quality Commission (CQC) inspection regime, and adapting to the new 'care cap' on monitoring budgets for care packages.

### Prevention, Wellbeing and Communities

Resources for this part of the Council have been significantly focused on the Outbreak Management Plan and coordination of efforts on Covid-19. The move away from the emergency period of the pandemic, and ending of track and trace responses, has lessened the pressure, but we continue to coordinate partnership activity and monitor case data.

The Council also commissions a number of preventative services that support people to live healthy lives and target those at greatest risk of poor health. These help to maintain high levels of health and wellbeing across the local population, though we know that health inequalities remain for some groups and communities.

Performance has been impacted quarter on quarter across a number of measures throughout the Covid-19 pandemic. However, a return to face-to-face consultation and engagement (rather than online) has begun to improve outcomes in some services. The Proportion of adult alcohol misusers who successfully completed treatment and did not represent within 6 months of completion has improved for the first time in two years (26.7% up from 23.3% in Quarter 2) In Quarter 3, we have also seen improvements in the treatment of Opiate and non-Opiate drug use. The proportion of Opiate users successfully completing treatment rose marginally from 3.8% to 4.1% (56 out of 1,355

people), while non-Opiate users successfully completing treatment rose from 18.3% to 20.3% (140 of 689 people). Again, performance is forecast to continue to improve slowly over the next two quarters.

## **Children and Young People**

During Quarter 4, Children's Services underwent re-inspection by Ofsted, the findings of which were published on 1<sup>st</sup> April. The judgement of the service is *Requires Improvement to be Good*. Ofsted stated that:

"Significant progress has been made in many areas of Gloucestershire's children's services since the last inspection in 2017, when the local authority was judged to be inadequate overall. However, services for children are not consistently good. Beginning from a very low base, there has been a relentless drive for improvement by both senior leaders and staff. This, along with significant financial investment and the backing of political leaders, has led to improved services that are now more effective in meeting the needs of children and families. As a result of these improvements to services and support for children, they are now better protected...Despite these improvements, there remains more to do to ensure that all children benefit from improved services."

Despite this, churn within the workforce and levels of demand have increased throughout 2021/22, contributing to a very challenging operating environment. Turnover within Children's Services has followed an increasing trend over the last year rising from a low of 10% in March 2021 to 13.6%, which is the highest level of turnover in more than two years. This is similar to the level of turnover being seen across the County Council (13.3%). Turnover of Children's Social Workers is particularly high, increasing for six successive quarters from 11.2% to 24.8% (includes newly qualified Social Workers, Social Workers and Senior Social Workers but excludes Agency workers). The action taken by Children's Services leadership and Corporate colleagues in Quarter 3 led to some improvement in workforce capacity and stability in Quarter 4.

At the end of March 2022 the number of children open to Social Care was at its highest level recorded to date, with almost 4,600 children undergoing assessment or receiving support, protection of care. This is 12% higher than the 2019/20 average.

Contact demand increased in Quarter 4 with the highest level of contacts received to date in March (just over 8,750). During 2021/22, average monthly contacts have increased by one-third compared to 2019/20 (up 32%). Timeliness of decisions reduced throughout 2021/22 from 88.2% in Quarter 1 to 70.6% in Quarter 4, with performance worse than target (90%).

Quarter 4 also saw an increasing number of referrals (just over 2,500, with more than 1,000 of these received in March alone). This is an increase of 6% in average monthly referrals to Social Care in 2021/22 compared with 2019/20.

The number of children in care remained high but steady during Quarter 4, with 841 children in care at the end of March. This compares to an average of 778 children in 2020/21 and 727 in 2019/20. This continues to place strain on the availability of suitable placements for children and our ability to place children within County (75.1%). Nevertheless, our performance on minimising the number of children placed out of county, more than 20 miles from home compares well with comparators (20.3% against a peer group average of 22.9%).

In Education services, since the start of the new academic year students and staff have had to readjust and return to 'as normal' arrangements insofar as possible whilst also continuing to provide education during periods of absence for both students and staff. The increase in demand for Education, Health & Care Plan (EHCP) assessments resulting in delay against statutory timescales may also mean there are children not yet

receiving the full support they require to engage with school and access the curriculum. Primary schools have been particularly impacted, with staff absence has included that of the additional adult support required for SEN pupils. Schools are also reporting an increase in dis-regulation: the high level of staff absence has resulted in some Head Teachers having to focus on teaching which reduces the amount of capacity available to de-escalate incidents which may prevent a child being permanently excluded.

Whilst permanent exclusions due to persistent disruptive behaviour remains the most common reason for permanent exclusion, this has reduced from 49% in the 2019/20 academic year to 42% this academic year. Permanent exclusions for physical assault against an adult or pupil has increased from 36% to 43% over the same period.

### **Economy, Environment and Infrastructure**

We have achieved major improvements in reducing the Council's carbon footprint through increasing the amount of energy generated from the Shire Hall estate (largely from the electricity generation from Javelin Park Energy from Waste facility and the Shire Hall rooftop solar PV), and reducing our energy use the LED street lighting programme. Council carbon emissions continued to be lower than the previous two financial years during Quarter 3 and cumulatively were performing better than target to date in 2021/22 (4,193 tonnes of CO<sub>2</sub>e, against a target of 4,229).

Based on waste collected during the first 11 months of the financial year, it is forecast that residual household waste per household reduced in 2021/22 (440 Kgs). This is better than target (479 Kgs) and lower than last year (451 Kgs in 2020/21). Half of household waste collected is sent for reuse, recycling and composting (51.2%). Performance is steady with no further improvement in this area since food and green waste services were added to all district collections some years ago.

Timeliness of emergency and defect highways repairs has been better than target throughout 2021/22. There were 324 people killed or seriously injured on Gloucestershire's roads in 2021. This is similar to levels in 2019 prior to the pandemic (316 people). Over the last 5 years, there has been no statistically significant variation in annual incident levels (incidents broadly within 1 standard deviation).

A significant number of large infrastructure investment projects are underway or being developed in the county, delivering huge levels of investment. These are connected to our ambitions to build future skills and employment opportunity, and can be found in the new Council Strategy – Building Back Better in Gloucestershire.

### **Gloucestershire Fire and Rescue Service**

His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) re-inspected GFRS during November 2021 and on the 27th July 2022, they published the final report for GFRS. The overall summary for GFRS states:

*“The service has invested time and effort to address problems identified during our previous inspection, but work hasn't been focussed or co-ordinated, and staff haven't been effectively involved. Some improvements have been made but overall the service has deteriorated since 2019.”*

Their feedback identified two Causes for Concern relating to:

- Culture and
- Equality, Diversity & Inclusion

These and the wider issues raised are being addressed through a comprehensive Action Plan. This plan is scrutinised through a restructured Improvement Board comprised of the Leader of the Council, CFO, ACFO, Lead Cabinet Member, Deputy Chief Exec, HMICFRS representative, Senior County Council Officers and LGA South West representative.

The rate of Safe and Well visits remained similar to previous quarters throughout 2021/22 at 0.89 per 1,000 population (570 visits). The number of visits were anticipated to improve due to crews returning to normal service following the lifting of COVID-19 restrictions, although we are yet to see an increase in visit numbers. The service continues its positive work to reach the most vulnerable people in our community, with 79% of Safe and Well visits undertaken being to people in vulnerable groups. Performance remains better than target (75%) and comparator group average (74%).

Timeliness of responding to accidental dwelling fires (where it was clear during the initial emergency call that the fire related to a dwelling) increased in Quarter 4, rising from 7 minutes 3 seconds in Quarter 3 to 9 minutes 14 seconds. Performance was however within tolerance of target.

## Financial Performance

### Economic climate

The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the last year. Bank Rate was 0.1% at the beginning of the reporting period, however April and May saw the economy gathering momentum as the restrictions of the pandemic were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that and having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March.

UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% y/y from 4.4%.

With the coronavirus pandemic still dominating a lot of the news for 2021/22, the Council has started the recovery process and a return to normality. Central governments focus has continued to be less on local government finance and more on getting the economy going. As a result there has been no news on the long awaiting changes to local government finances. Once again 2021/22 and 2022/23 have been one year roll over settlements and information about the future is scarce.

The below list details 2021/22 budget setting principles, together with an update on the current situation for these key financial decisions:

- Council Tax referendum principle of 2% for 2021/22, with the Council setting a rate of 1.99%.
- Continuing to provide Local Authorities with the power to levy an increase on Council Tax to fund social care, with an allocation of 3% over two years for 2021/22 and 2022/23. Following a decision to set the rate at 2.76% for 2021/22 this raised an additional £8.6 million for 2021/22 and 2022/23.

- Continuation of additional funding for Social Care at a cash flat level providing a grant worth £14.0 million to the Council for 2021/22.
- Continuation of the Improved Better Care Fund at a cash flat level for 2021/22, providing the Council with £19.4 million.
- Central government has continued to provide local authorities with additional funding to cover many of the pressures of Covid-19. The Council has therefore received a number of significant additional grants during 2021/22, some of which are passported on to other care providers such as Care Homes.
- Postponement of the Fair Funding Review. Following delays this was expected from 2022/23, however this is now looking like it will be implemented from 2024/25.
- Postponement / cancellation of the Government's "aim" to localise 75% of Business Rates. It is now looking more likely that the current 50% split will continue but on a reformed basis from 2024/25.
- Following another one-year roll over settlement for 2022/23, expectations currently are that the settlement for 2023/24 will be a roll over with the new funding regime implemented from 2024/25.

## Revenue Budget and Outturn Position

The approved budget for 2021/22 was £483.008 million which represented an increase in cash terms of £14.825 million, compared with the 2020/21 budget (£468.183 million). Under this Budget, Council Tax increased by 1.99% and an additional 2.76% Social Care Precept was applied, taking the overall increase to 4.75%.

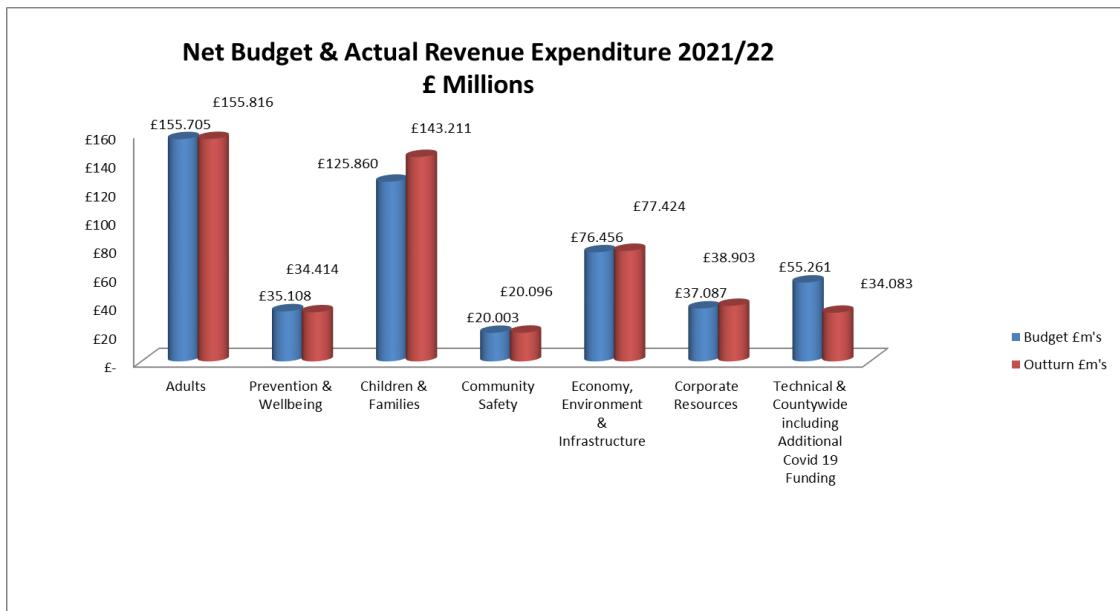
In addition to the above budget approvals the Council also received emergency un-ring-fenced grant funding for Covid-19 during the year totalling £11.526 million together with a further £10.946 million of emergency grant funding carried forward from 2020/21. The Council also received ring fenced Covid-19 grants totalling £29.902 million during the year with a further £16.632 million carried forward from 2020/21. The Council has carried forward emergency Covid-19 grant funding of £8.674 million, and a further £10.376 million ring fenced Covid-19 grant funding, to fund the continuing cost of recovery from the pandemic in 2022/23 and 2023/24

During the year, the Council delivered £7.393 million of savings to address year on year funding reductions and fund unavoidable inflationary cost increases.

The revenue budget strategy for 2021/22 was to continue to maximise the delivery of efficiencies whilst protecting front line services. The Council is committed to robustly controlling budgets, repaying external maturing debt and continuing to streamline back office services all of which contribute to protecting front line services.

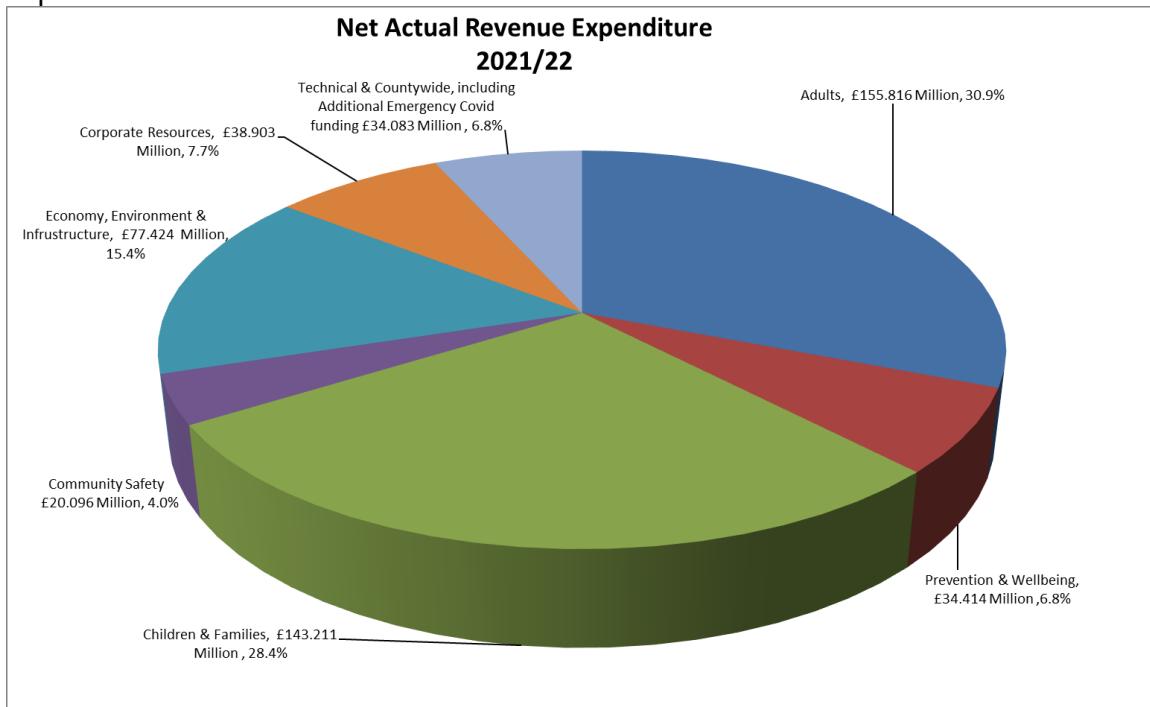
Following approved transfers to and from reserves, as set out in detail in Note 2 to the accounts, the 2021/22 outturn position was an under spend of £1.533 million. This was reduced to £1.053 million following approval to transfer a further £0.480 million to the Vulnerable Children's Reserve for Special Educational Needs.

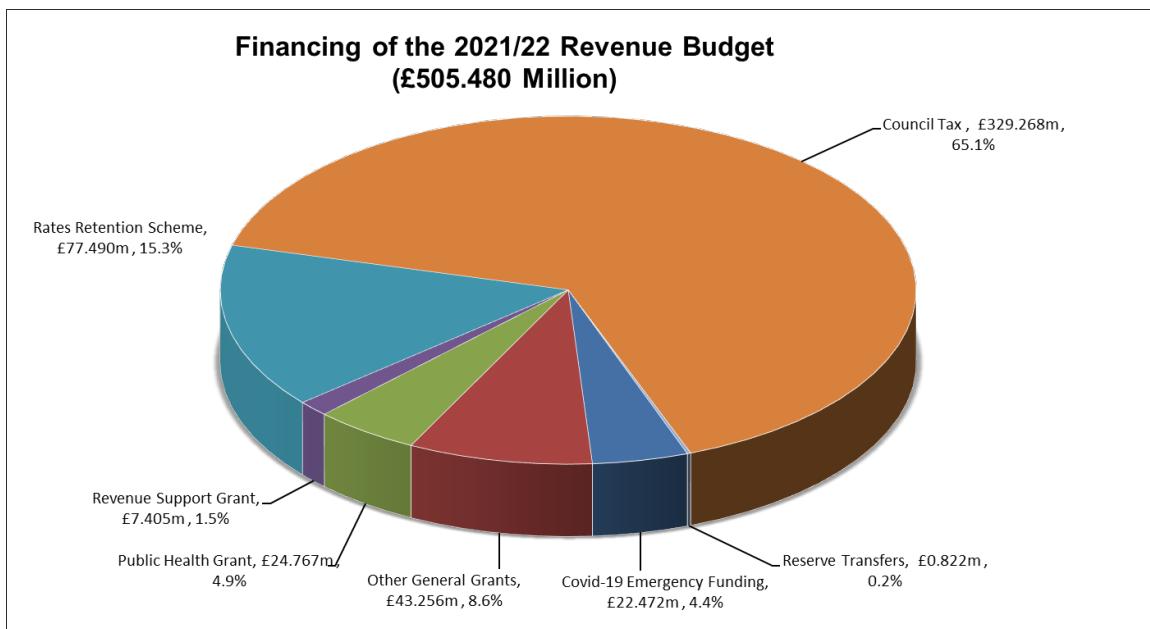
Net budget and expenditure by service area is shown in the chart below.



Full details and explanations of the outturn position can be found in the detailed outturn report submitted to Cabinet in June 2022, which is available on the Council's website.

The outturn position for 2021/22 again provides a clear indication of the Council's strong financial stewardship during the year. Net actual expenditure by service area is shown in the chart below, which is followed by a chart showing the funding of this net expenditure.





## Usable Revenue Reserves

Usable reserves represent money set aside to fund future expenditure plans or reduce taxation. Full details of all usable reserve movements in 2021/22 are shown in note 2 of the accounts, with the summary position outlined below:

Type of Revenue Reserves	Balance at 31 <sup>st</sup> March 2021 £ Millions	Balance at 31 <sup>st</sup> March 2022 £ Millions
Earmarked Revenue Reserves – Non Schools	147.881	156.007
Earmarked Reserves – Schools Excluding Dedicated Schools Grant Deficit Account	20.148	23.486
General Fund Balances	21.999	23.052
<b>TOTAL REVENUE RESERVES</b>	<b>190.028</b>	<b>202.545</b>

Overall total usable revenue reserves increased by £12.517 million during the year.

### Non-School Earmarked Reserves

Non schools earmarked usable revenue reserves have increased by £8.126 million (5.5%) from £147.881 million at the start of the year to £156.007 million at the end of the year.

## Schools Earmarked Reserves

School Balances have increased by £3.338 million, despite 2 schools converting to academy status during the year.

Following a change in legislation and accounting standards in 2020/21, the Dedicated Schools Grant Deficit Reserve, remains separate from the Council's useable reserves. This deficit is now included within unusable reserves on the balance sheet. The reported grant deficit of £11.89 million at the start of the year increased by a further £5.15 million to £17.043 million at the end of the year, following continued pressures with high needs related payments. A recovery plan is currently being developed in association with the school's forum, to address future spending pressures.

## General Reserves

Following the positive outturn position for 2021/22, General Reserves have increased by £1.053 million to £23.052 million. A risk-based approach is taken when assessing the level of reserves.

## Capital Reserves

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

Type of Capital Reserves	Balance at 31 <sup>st</sup> March 2021 £ Millions	Balance at 31 <sup>st</sup> March 2022 £ Millions
Capital Grants & Contributions		
Unapplied Reserves	120.655	98.087
Useable Capital Receipts Reserve	10.020	5.198
<b>TOTAL CAPITAL RESERVES</b>	<b>130.675</b>	<b>103.285</b>

Capital reserves have decreased £27.39 million (20.96%) during the year. This decrease is due to the utilisation of both capital grants and contributions and capital receipts to fund the Council's approved capital programme during the year.

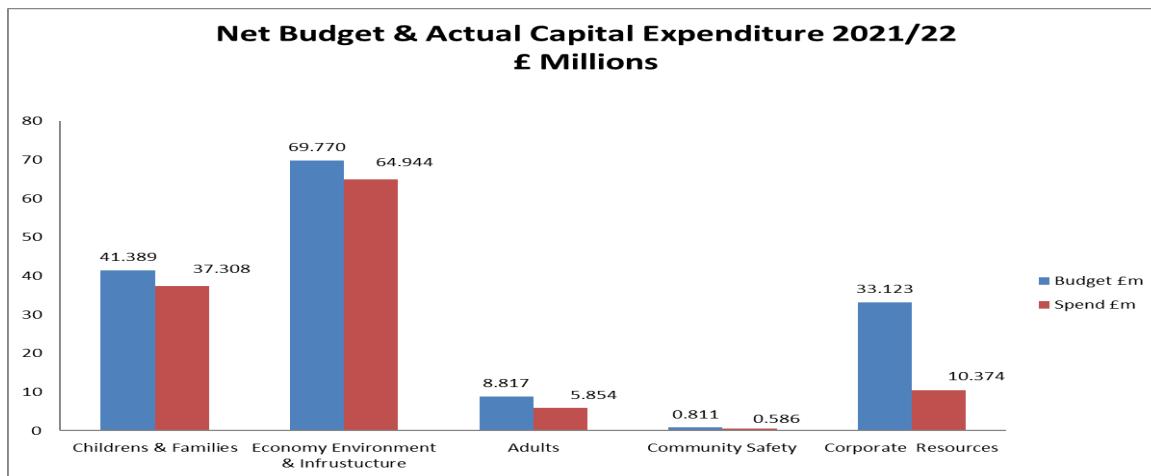
Full details and explanations of all reserve movements can be found in the detailed outturn report submitted to Cabinet in June 2022, which is available on the Council's website.

## Capital Budget and Outturn Position

The capital budget strategy reflected the Council's priority of reducing long term debt by utilising capital receipts, external contributions, capital fund, capital grants and revenue contributions to fund the capital programme for 2021/22, thereby minimising the need for internal borrowing to £14.387 million. Approved Internal borrowing for the total Capital Programme currently totals £57.835 million.

The capital budget for 2021/22 totalled £153.91 million. Actual expenditure during the year was £119.07 million, giving an in-year under-spend of £34.84 million. This is purely in-year slippage which will be spent in 2022/23. This has not changed the overall value of the capital programme, although it has necessitated a re-profiling of the approved budget between future years.

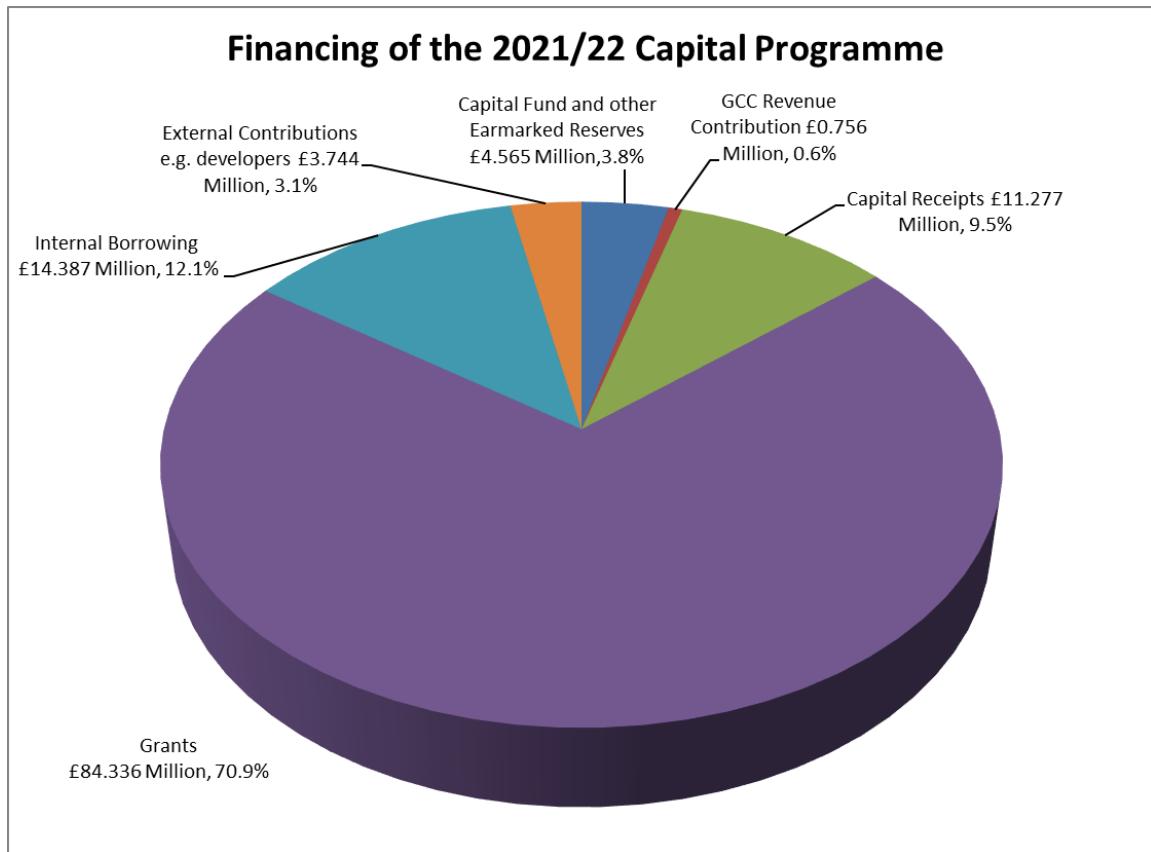
Net actual expenditure by service area is shown in the following chart:



\* Corporate Resources also includes costs incurred prior to the sale of assets.

Full details and explanations of the capital outturn position can be found in the detailed outturn report submitted to Cabinet in June 2022, which is available on the Council's website.

The Council's 2021/22 capital expenditure was funded as follows:



The Government financial regulations require local authorities to charge a Minimum Revenue Provision (MRP) each year as a proxy for capital repayments. For 2021/22 the MRP for the Council was £8.745 million, an small increase of £0.327 million from 2020/21.

Managing debt effectively remains a priority of the Council. The Capital Financing Requirement which represents unfinanced debt outstanding, totalled £457.553 million at

the end of 2021/22, an increase of £3.157 million compared with the position at the end of 2020/21.

## Financial Statements

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

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

A complete set of Financial Statements for the period comprise:

- Comprehensive Income & Expenditure Statement on page 27.
- Movement in Reserves Statement on page 28 to 29.
- Balance Sheet position on page 30 setting out the Council's financial position as at 31<sup>st</sup> March 2022.
- Cash Flow Statement on page 31 summarising the inflows and outflows of cash.
- Notes to the accounts, which summarise and provide further information on the financial activities of the Council including Accounting Policies on pages 32 to 108.
- Gloucestershire Pension Fund Accounts are on pages 109 to 144, and although included in this publication, are separate from the accounts of the Council and are subject to a separate audit opinion.
- The accounts of the Fire Pension Fund on page 145.

The Deputy Chief Executive and Executive Director of Corporate Resources, as the statutory Chief Financial Officer, is required to certify that the accounts present a true and fair view.

## Primary Financial Statements

The primary financial statements are:

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

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

**Comprehensive Income & Expenditure Statement (CIES)** - (page 27) shows the true economic accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The deficit on the provision of services for 2021/22 was £32.571 million, which is shown in the Movement in Reserves Statement, compared to a surplus of £39.704 million in 2020/21. The reason for this change is mainly due to a decrease in the amount of capital grant and contributions received in year.

The £32.571 million deficit on the provision of services for 2021/22 shown in the CIES represents the financial position in accordance with International Financial Reporting Standards (IFRS). However, the reported outturn budget position was an under spend of £1.053 million. This may be more relevant for the Council's stakeholders than the CIES, which takes a wider financial perspective on the Council's performance. The

outturn position only records those expenses which statute allows to be charged against the Council's annual budget. The amounts included in the CIES for items such as depreciation, impairments, capital grants and pension charges are not charged in the General Fund expenditure analysis. The Movement in Reserves Statement, and supporting note 1, together with the expenditure and funding analysis, note 4, provides reconciliation between the two positions.

**Movement in Reserves Statement** - (page 28) shows the movement during the 2021/22 financial year on the different reserves held by the Council, analysed into useable reserves and other unusable reserves:

- Usable reserves represent money set aside to fund future expenditure plans or reduce taxation.
- Unusable reserves reflect the difference between the surplus or deficit made on the true economic cost of providing the Council's services and the statutory amounts required to be charged to the general fund balance for council tax setting purposes (i.e. adjustments between accounting basis and funding basis under regulations).

The overall increase in the Council's reserves during 2021/22 is £313,299 million, made up of a decrease of £14.873 million in useable reserves, further information is detailed within Note 2. Un-useable reserves increased by £328.172 million, mainly due to an decrease of £174.239 million to the defined benefit pension reserve, which is a liability that does not need to be met within the next year, but over the lifetime of scheme members, together with increase to the Revaluation Reserve of £109.821 million, following increases in the valuation of the Council's property plant and equipment.

**Balance Sheet** - (page 30) shows the value of the assets and liabilities recognised by the Council as at 31<sup>st</sup> March 2022. The balance sheet of the Council shows net assets of £738.405 million, which is matched by reserves (as set out in the Movement in Reserves Statement). This represents an increase of £313.299 million from the 2020/21 position.

The increase of £313.299 million in net assets is largely due to:

- An increase in the value of Long-Term Assets of £144.810 million, reflecting valuation changes during the year
- A decrease of £170.906 million in defined benefit pension liability, which is a liability that does not need to be met within the next year, but over the lifetime of scheme members.
- A reduction in Long-Term Borrowing of £8.367 million
- A reduction in Deferred Liabilities of £2.659 million
- A reduction in the Collection Fund Adjustment Account of £10.380 million

Offset by:-

- An increase in the current liabilities in year of £19.961 million
- A reduction in short term investments of £8.160 million

**Cash Flow Statement** – (Page 31) shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities:

- Operating activities - the amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by

way of taxation, grant income or from recipients of services provided by the Council. (Note 14, page 53)

- Investing activities - represent the extent to which cash outflows have been made for resources which are intended to contribute to the future service delivery (Note 15, page 54).
- Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council (Note 16, page 54). During the year the cash and cash equivalent increased from £93.76 million at the beginning of the year to £98.75 million at the end of the year. The increase of £4.99 million in cash balances is due to additional money being held in our instant access money market funds at the end of the year. Due to changes in economic conditions less long term fixed dealing had been done over the last few months of the financial year whilst the impact of interest rate rises was reviewed. Details of balances are provided in Note 9, page 47.

## Principal Risks and Uncertainties

At the end of 2021/22, the Council is facing the following risks and challenges:

- Failure in corporate governance which leads to service, financial, legal or reputational damage or failure.
- Reductions and changes to funding in current financial year and any additional unplanned overspends from previous financial year, with the potential to impact Core Services.
- Reductions and changes to funding for future financial years, potentially impacting, in particular, Core Services.
- The cumulative impact of service pressures, particularly the financial impact of COVID19, increased demand in Children and Adults social care and Educational High Needs, potential grant reductions and the under delivery of planned savings will result in major overspend positions in current financial year.
- Failure to ensure technology managed by ICT (including communications abilities) remains fit for purpose.
- Failure to protect the council's key information and data from Cyber Attack.
- Provider failures result in the council being unable to achieve its strategic objectives.
- Failure to maintain effective relationships with key partners and organisations and shared funding arrangements, impacting on our ability to meet statutory and local requirements.
- Failure to protect vulnerable adults in Gloucestershire from abuse neglect in situations that potentially could have been predicted and prevented.
- Ineffective social care practice, management oversight and review processes resulting in drift and delay for children and young people in situations of harm.
- Failure to close the gaps in educational outcomes for vulnerable learners and their peers resulting in adverse impacts for children and families, increased cost/pressures on specialist provision and damage to reputation.
- Insufficient workforce capacity and/or instability adversely impacting on pace and sustainability of improvement and contributing to discontinuity in social engagement with children and families.
- Unable to support all those who can, to live independently at home, because demand for home care services outstrips available capacity. Resulting in the reliance on temporary respite/alternative bed-based care in lieu of home care.
- Failure to develop sufficient placement capacity to meet the needs of children looked after.
- Risk of legal action being taken against the Local Authority due to failure to complete a Deprivation of Liberty assessment within the stated time lines. Since a

significant and sudden change in the law due to a Supreme Court Judgement in March 2014 there is an excessively high demand for best interest assessments to be carried out for Deprivation of Liberty (DoLS) authorisations.

- Difficulties in recruiting and retaining experience workers in hard to fill roles leading to vacancies and/or high numbers of agency staff in some areas. This is particularly prevalent for social workers but is also increasingly a factor for other professional roles.
- Failure of the Council or a key partner to effectively respond to a major incident such as flooding that results in community disruption and failure to return to normal, within required timescales.
- Due to insufficient business continuity management arrangements failure of the Council or a key partner to effectively deliver their statutory services, resulting in community disruption and failure of corporate objectives.
- Insufficient workforce capacity and/or instability adversely impacting on pace and sustainability of improvement and contributing to increased risk to firefighter safety or capability to deliver emergency services to the community.
- Failure to comply with data protection and to protect the confidentiality, integrity and availability of information.
- Failure to deliver the county council's climate change strategy, impacting our ability to deliver our organisation, partnership and community activities, and to mitigate the impacts of a changing climate on Gloucestershire's natural environment, communities, business and visitors.
- Emergence of Community Infrastructure Levy (CIL)

Each of these risks and challenges are recognised in the Council's risk register and a series of mitigation processes have been put in place to reduce these risks.

## Pension Liabilities

The liability shown in connection with the defined benefit pension schemes is calculated in accordance with the requirements of International Accounting Standard (IAS) 19 and has decreased by £170.906 million (18.19%), from £903.26 million at the start of the year to £732.353 million at the year end. This is due to changed financial assumptions, primarily decreases to both the salary and pension increase rates of 0.35% compared with the previous year. The above assumptions resulted in decreases in liabilities together with decreases following an increase in the discount rate used to calculate estimated present value of pension liabilities by 0.7 %, which is determined by the yield on corporate bonds. The higher the discount rate used, the lower the estimated present value of pension liabilities. Information on the current pension liabilities can be found in Note 32, page 75

## Investment Activity & Borrowing

During 2021/22 treasury management has been conducted according to the Policy Statement approved by the Council in February 2021. In accordance with this strategy 136 investments were made during the year, at a value of £842 million. Total interest earned was £4.8 million.

As indicated earlier, the capital budget strategy aims to minimise the need for new borrowing, through the use of capital grants, capital receipts and contributions to fund capital expenditure. Debt redemption remains a priority of the Council with all maturing debt repaid. At 31<sup>st</sup> March 2022 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £457.553 million, an increase of £3.157 million compared with the position at the end of 2020/21. This increase is as a result of new borrowing in year held internally of £14.4m offset by the minimum revenue provision for the year and adjustments for deferred liabilities.

## The Future

We are:

- Still waiting for information on both the Fair Funding Review and the move to 75% Business Rates Retention, which continue to be delayed. Although there is commitment from central government ministers to update formulas there is no commitment on timings and it is looking increasingly unlikely for consultations to be received in time for changes to be implemented in 2023/24.
- As above, there have been no update on the proposed business rates reset, and it is likely that it will be combined with the wider Fair Funding and 75% Business Rates Retention Reforms.
- As a partner in the Integrated Care System, intending to work collaboratively to ensure the Gloucestershire Pound is spent efficiently and effectively on health and social care services for our community.

In the future the Council will continue to realign its ongoing Medium Term Financial Strategy and future spending plans in line with the Council Strategy. Considerable uncertainties remain about the level of future funding, the long term impact of Covid-19 and future demand for social care. The Council will continue to work to address this uncertainty and ongoing challenges in formulating its Medium Term Financial Strategy.

## Conclusion

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

### ***Additional Information***

Further information on the financial statements presented in this document can be obtained from Jayne Fuller, Corporate Finance Manager (01452 328926). [jayne.fuller@gloucestershire.gov.uk](mailto:jayne.fuller@gloucestershire.gov.uk))



**Steve Mawson**  
**Deputy Chief Executive and Executive Director of Corporate Resources & Section 151 Officer**

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 Deputy Chief Executive & Executive Director of Corporate Resources.(S151 Officer)
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **The Deputy Chief Executive & Executive Director of Corporate Resources Responsibilities**

The Deputy Chief Executive & Executive Director of Corporate Resources 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 Deputy Chief Executive & Executive Director of Corporate Resources 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 Deputy Chief Executive & Executive Director of Corporate Resources 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 2021/22 gives a true and fair view of the financial position and Income and Expenditure account of Gloucestershire County Council for the year ended 31<sup>st</sup> March 2022.



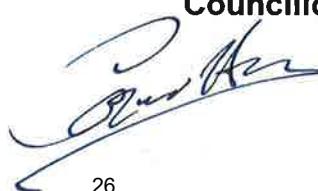
**Steve Mawson CPFA**

**Deputy Chief Executive & Executive Director of Corporate Resources (Section 151 officer)**  
**28<sup>th</sup> February 2023**

The Audit & Governance Committee of the County Council approved the Statement of Accounts on 20<sup>th</sup> January 2023.

**Councillor Colin Hay, Chairperson**

**28<sup>th</sup> February 2023**



## Independent auditor's report to the members of Gloucestershire County Council

### Report on the Audit of the Financial Statements

#### Opinion on financial statements

We have audited the financial statements of Gloucestershire County Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and include the Fire Pension Accounts comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Deputy Chief Executive and Executive Director of Corporate Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Deputy Chief Executive and Executive Director of Corporate Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability

to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Deputy Chief Executive and Executive Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Deputy Chief Executive and Executive Director of Corporate Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Deputy Chief Executive and Executive Director of Corporate Resources and Those Charged with Governance for the financial statements' section of this report.

#### **Other information**

The Deputy Chief Executive and Executive Director of Corporate Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

#### **Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the Deputy Chief Executive and Executive Director of Corporate Resources and Those Charged with Governance for the financial statements**

As explained in the Statement of Responsibilities [set out on page x], the Authority 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 authority, that officer is the Deputy Chief Executive and Executive Director of Corporate Resources. The Deputy Chief Executive and Executive Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Deputy Chief Executive and Executive Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Deputy Chief Executive and Executive Director of Corporate Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003. We also identified the following additional regulatory frameworks in respect of the Fire pension fund, Public Services Pensions Act 2013, The Firefighters' Pension Scheme (England) Regulations 2014, and The Firefighter's Pension Scheme (England) Order 2006.

- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit, and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - Management override of controls in relation to journals and transactions outside of the normal course of business.
  - management estimates in particular those relating to land and buildings, and the net pension fund liability valuations.
- Our audit procedures involved:
  - Evaluation of the design effectiveness of management controls over journals;
  - Analysis of the the journals listing and determining the criteria for selecting high risk unusual journals;
  - Identification and testing of unusual journals made during the year and during the accounts production stage for appropriateness and corroboration;
  - Gaining an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and
  - Evaluating the rationale for any changes in accounting policies, estimates, or significant unusual transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

## **Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing 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 for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Gloucestershire County Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report; and
- our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Alex Walling*

Alex Walling, Key Audit Partner

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

Bristol

1 March 2023

## Independent auditor's report to the members of Gloucestershire County Council on the pension fund financial statements of Gloucestershire Pension Fund

### Opinion

We have audited the financial statements of Gloucestershire Pension Fund (the 'Pension Fund') administered by Gloucestershire County Council (the 'Authority') for the year ended 31 March 2022 which comprise the Fund Account, the Net Assets Statement, and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Deputy Chief Executive and Executive Director of Corporate Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Deputy Chief Executive and Executive Director of Corporate Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Deputy Chief Executive and Executive Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Deputy Chief Executive and Executive Director of Corporate Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Deputy Chief Executive and Executive Director of Corporate Resources and Those Charged with Governance for the financial statements' section of this report.

#### **Other information**

The Deputy Chief Executive and Executive Director of Corporate Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

#### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

#### **Responsibilities of the Authority, the Deputy Chief Executive and Executive Director of Corporate Resources and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities, the Authority 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 authority, that officer is the Deputy Chief Executive and Executive Director of Corporate Resources. The Deputy Chief Executive and

Executive Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Deputy Chief Executive and Executive Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Deputy Chief Executive and Executive Director of Corporate Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).
- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - management override of controls in relation to journals, management estimations and transactions outside the course of normal business; and
  - the significant accounting estimates in the financial statements, including those related to the valuation of level 2 and level 3 investments and the valuation of defined benefit net pension fund liabilities.

Our audit procedures involved:

- Evaluation of the design effectiveness of management controls over journals;
- Analysis of the journals listing and determining the criteria for selecting high risk unusual journals;
- Identification and testing of unusual journals made during the year and during the accounts production stage for appropriateness and corroboration;
- Gaining an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and
- Evaluating the rationale for any changes in accounting policies, estimates, or significant unusual transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Alex Walling*

Alex Walling

Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

1 March 2023

## 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 <sup>st</sup> March 2021			Balance at 31 <sup>st</sup> March 2022		
Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
<b>Gross Expenditure, Gross Income and Net Expenditure of Continuing Operations</b>					
276,322	-128,364	147,958	Adults	279,226	-130,375
39,162	-19,657	19,505	Prevention & Wellbeing	46,637	-7,031
483,104	-325,108	157,996	Children & Families	531,305	-340,702
130,882	-26,512	104,370	Economy, Environment & Infrastructure	123,669	-33,949
31,580	-8,680	22,900	Community Safety	33,626	-7,446
46,732	-8,034	38,698	Corporate Resources	52,750	-11,774
12,134	-291	11,843	Technical & Countywide	40,141	-724
<b>1,019,916</b>	<b>-516,646</b>	<b>503,270</b>	<b>Cost Of Services</b>	<b>1,107,354</b>	<b>-532,001</b>
327	-	327	Levies Payable	335	-
14,462	-	14,462	Gain(-)/Loss on Disposal of Non Current Assets (Note 39)	-	-1,956
<b>14,789</b>	<b>-</b>	<b>14,789</b>	<b>Other Operating Expenditure</b>	<b>335</b>	<b>-1,956</b>
29,682	-	29,682	Interest Payable on Debt	28,869	-
16,125	-	16,125	Net interest on the Net Defined Benefit Liability (Asset)	18,441	-
-	-4,632	-4,632	Gain (-) or Loss on Pooled Investment Revaluation	-	-5,638
-	-5,552	-5,552	Investment Interest income	-	-4,795
<b>45,807</b>	<b>-10,184</b>	<b>35,623</b>	<b>Financing and Investment Income and Expenditure</b>	<b>47,310</b>	<b>-10,433</b>
-	-105,997	-105,997	Recognised Capital Grants and Contributions	-	-69,052
-	-310,486	-310,486	Council Tax	-	-332,784
-	-77,819	-77,819	National Non Domestic Rates	-	-63,215
-	-95,226	-95,226	Non Service Related Government Grants	-	-109,004
-	-3,858	-3,858	Fire Pensions Top Up Grant	-	-3,983
<b>-</b>	<b>-593,386</b>	<b>-593,386</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>-</b>	<b>-578,038</b>
<b>1,080,512</b>	<b>-1,120,216</b>	<b>-39,704</b>	<b>Surplus (-) or Deficit on Provision of Services</b>	<b>1,154,999</b>	<b>-1,122,428</b>
22,613	-22,596	17	Revaluation Gains (-)/Losses (Note 13)	14,560	-133,966
-	-	-	Surplus or Deficit on Revaluation of Financial Instruments (Note 13)	-	-250
190,907	-	190,907	Remeasurement of the Net Defined Benefit Liability (Asset)	-	-226,214
<b>213,520</b>	<b>-22,596</b>	<b>190,924</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>14,560</b>	<b>-360,430</b>
<b>1,294,032</b>	<b>-1,142,812</b>	<b>151,220</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>1,169,559</b>	<b>-1,482,858</b>
					<b>-313,299</b>

## Movement in Reserves Statement

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

Movement in Reserves 2020/21	Earmarked		Total General Fund	Capital Receipts	Capital Grants	Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	General Fund Reserves						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31<sup>st</sup> March 2020 carried forward</b>	<b>18,846</b>	<b>110,432</b>	<b>129,278</b>	<b>20,544</b>	<b>94,522</b>	<b>244,344</b>	<b>331,982</b>	<b>576,326</b>
<b><u>Movement in reserves during 2020/21</u></b>								
<b>Reclassification of DSG Deficit</b>		<b>6,716</b>	<b>6,716</b>			<b>6,716</b>	<b>-6,716</b>	<b>-</b>
Surplus or Deficit (-) on Provision of Services	39,704	-	39,704	-	-	39,704	-	39,704
Other Comprehensive Expenditure and Income							-190,924	-190,924
<b>Total Comprehensive Expenditure and Income</b>	<b>39,704</b>	<b>6,716</b>	<b>46,420</b>	<b>-</b>	<b>-</b>	<b>46,420</b>	<b>-197,640</b>	<b>-151,220</b>
Adjustments between accounting basis & funding basis under regulations (Note 1)	14,329	-	14,329	-10,524	26,134	29,939	-29,939	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>54,033</b>	<b>6,716</b>	<b>60,749</b>	<b>-10,524</b>	<b>26,134</b>	<b>76,359</b>	<b>-227,579</b>	<b>-151,220</b>
Transfers to/from Earmarked Reserves	-50,880	50,880	-	-	-	-	-	-
<b>Increase/Decrease in 2020/21</b>	<b>3,153</b>	<b>57,596</b>	<b>60,749</b>	<b>-10,524</b>	<b>26,134</b>	<b>76,359</b>	<b>-227,579</b>	<b>-151,220</b>
<b>Balance at 31<sup>st</sup> March 2021</b>	<b>21,999</b>	<b>168,028</b>	<b>190,027</b>	<b>10,020</b>	<b>120,656</b>	<b>320,703</b>	<b>104,403</b>	<b>425,106</b>

Movement in Reserves 2021/22	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31<sup>st</sup> March 2021 carried forward</b>	<b>21,999</b>	<b>168,028</b>	<b>190,027</b>	<b>10,020</b>	<b>120,656</b>	<b>320,703</b>	<b>104,403</b>	<b>425,106</b>
<b><u>Movement in reserves during 2021/22</u></b>								
Surplus or Deficit (-) on Provision of Services	-32,571		-32,571			-32,571		-32,571
Other Comprehensive Expenditure and Income								
<b>Total Comprehensive Expenditure and Income</b>	<b>-32,571</b>	<b>-</b>	<b>-32,571</b>	<b>-</b>	<b>-</b>	<b>-32,571</b>	<b>345,870</b>	<b>345,870</b>
Adjustments between accounting basis & funding basis under regulations (Note 1)	45,088		45,088	-4,822	-22,568	17,698	-17,698	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>12,517</b>	<b>-</b>	<b>12,517</b>	<b>-4,822</b>	<b>-22,568</b>	<b>-14,873</b>	<b>328,172</b>	<b>313,299</b>
Transfers to/from Earmarked Reserves	-11,464	11,464				-		-
<b>Increase/Decrease in 2021/22</b>	<b>1,053</b>	<b>11,464</b>	<b>12,517</b>	<b>-4,822</b>	<b>-22,568</b>	<b>-14,873</b>	<b>328,172</b>	<b>313,299</b>
<b>Balance at 31<sup>st</sup> March 2022</b>	<b>23,052</b>	<b>179,492</b>	<b>202,544</b>	<b>5,198</b>	<b>98,088</b>	<b>305,830</b>	<b>432,575</b>	<b>738,405</b>

## Balance Sheet

Gloucestershire County Council - Statement of Accounts 2021-22

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'.

		Notes	
	As at 31st March 2021 £'000		As at 31 <sup>st</sup> March 2022 £'000
1,510,658	Property Plant and Equipment	3	1,655,468
934	Heritage Assets		934
76	Intangible Assets		57
132,668	Long Term Investments	5	133,493
8	Long Term Debtors	5	-
<b>1,644,344</b>	<b>Long Term Assets</b>		<b>1,789,952</b>
114,663	Short Term Investments	5	105,903
-	Assets Held for Sale	10	-
1,192	Inventories	6	977
74,301	Short Term Debtors	8	82,205
93,755	Cash and Cash Equivalents	9 & 17	98,753
<b>283,911</b>	<b>Current Assets</b>		<b>287,838</b>
-51,819	Short Term Borrowing	5	-43,659
-134,296	Short Term Creditors & Revenue Receipts in Advance	12	-133,645
-2,826	Short Term Provisions	11	-4,737
-26,817	Capital Grants and Contributions Receipts in Advance	24	-53,618
-9,095	Provision for Accumulated Absences	11	-8,171
<b>-224,853</b>	<b>Current Liabilities</b>		<b>-243,830</b>
-61,666	Deferred Liability	37	-59,007
-3,851	Long Term Provisions	11	-3,042
-309,520	Long Term Borrowing	5	-301,153
-903,259	Liability Related to Defined Benefit Pension Scheme	32	-732,353
<b>-1,278,296</b>	<b>Long Term Liabilities</b>		<b>-1,095,555</b>
<b>425,106</b>	<b>Net Assets</b>		<b>738,405</b>
21,999	General Fund Balance	2	23,052
288,684	Earmarked Reserves	2	276,213
<b>320,703</b>	<b>Usable Reserves</b>		<b>305,830</b>
-9,095	Short Term Accumulated Absences Account	13	-8,171
727,728	Capital Adjustment Account	13	759,542
329,679	Revaluation Reserve	13	439,500
-16,413	Collection Fund Adjustment Account	13 & 38	-6,033
8	Deferred Capital Receipts Reserve	13	0
	Financial Instrument Revaluation Reserve	13	150
-2,624	Pooled Instrument Adjustment Account	13	3,114
-11,891	Dedicated Schools Grant Deficit Reserve	13	-17,043
-3,063	Financial Instrument Adjustment Account	13	-2,797
-909,926	Defined Pension Fund Reserve	32	-735,687
<b>104,403</b>	<b>Unusable Reserves</b>		<b>432,575</b>
<b>425,106</b>	<b>Total Reserves</b>		<b>738,405</b>

The unaudited accounts were issued on 27<sup>th</sup> July 2022 and the audited accounts were authorised for issue on 28<sup>th</sup> February 2023.

Steve Mawson CPM, Deputy Chief Executive & Executive Director of Corporate Resources (Section 151 Officer)

28<sup>th</sup> February 2023

## 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.

	<b>2020/21</b> £'000	<b>2021/22</b> £'000
-39,704	Net Surplus (-) or Deficit on the Provision of Services	32,571
-118,617	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements (note 14)	-101,426
113,169	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities (note 14)	71,692
<b>-45,152</b>	<b>Net Cash Flows from Operating Activities</b>	<b>2,837</b>
28,747	Investing Activities (Note 15)	-26,252
31,743	Financing Activities (Note 16)	18,417
<b>15,338</b>	<b>Net Increase or Decrease in Cash and Cash Equivalents</b>	<b>-4,998</b>
-109,093	Cash and Cash Equivalents at the beginning of the reporting period	-93,755
<b>-93,755</b>	<b>Cash and Cash Equivalents at the end of the reporting period (Note 9)</b>	<b>-98,753</b>

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

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

2020/21	Usable Reserves				
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Un-applied Reserve £'000	Movement in	Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Depreciation and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets	-70,040				70,040
Lifecycle Costs- PFI	513				-513
Write Back of Deferred Income Liabilities	2,485				-2,485
Revenue expenditure funded from capital under statute	-18,602				18,602
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	-21,632				21,632
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory Provision for the financing of Capital Investment	8,418				-8,418
Capital expenditure charged against the General Fund Balance	4,216				-4,216
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,172		-7,172		
Use of the Capital Receipts Reserve to finance new capital expenditure		17,751			-17,751
Transfer from Deferred capital receipts reserve following receipt of cash		-55			55
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	105,997			-105,997	
Application of grants and contributions to capital financing transferred to capital adjustment account		79,863			-79,863
<b>Adjustment primarily involving the Financial Instruments Account:</b>					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	305				-305
Gain/loss on the revaluation of Financial instruments	4,632				-4,632
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-15,378				15,378
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>					
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	-16,209				16,209
<b>Adjustment primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-1,031				1,031
<b>Adjustments primarily involving the Dedicated Schools Grant Deficit Reserve:</b>					
Amount of which the accumulated deficit charged to the Comprehensive Income and Expenditure Statement is different from that chargeable in the year in accordance with statutory requirements	-5,175				5,175
<b>Total Adjustments</b>	<b>-14,329</b>	<b>10,524</b>	<b>-26,134</b>	<b>29,939</b>	

2021/22

	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Un-applied Reserve £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Depreciation and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets	-54,747			54,747
Lifecycle Costs- PFI	948			-948
Write Back of Deferred Income Liabilities	2,485			-2,485
Revenue expenditure funded from capital under statute	-38,933			38,933
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	-4,490			4,490
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory Provision for the financing of Capital Investment	8,745			-8,745
Capital expenditure charged against the General Fund Balance	5,323			-5,323
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,447	-6,447		
Use of the Capital Receipts Reserve to finance new capital expenditure		11,277		-11,277
Transfer from Deferred capital receipts reserve following receipt of cash		-8		8
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	65,512		-65,512	
Application of grants and contributions to capital financing transferred to capital adjustment account			88,080	-88,080
Donated assets fair value less consideration	3,540			-3,540
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	267			-267
Gain/loss on the revaluation of Financial instruments	5,638			-5,638
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-51,975			51,975
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	10,380			-10,380
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	923			-923
<b>Adjustments primarily involving the Dedicated Schools Grant Deficit Reserve:</b>				
Amount of which the accumulated deficit charged to the Comprehensive Income and Expenditure Statement is different from that chargeable in the year in accordance with statutory requirements	-5,151			5,151
<b>Total Adjustments</b>	<b>-45,088</b>	<b>4,822</b>	<b>22,568</b>	<b>17,698</b>

**2. Usable 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 2021/22.

Earmarked Revenue Reserves	Balance at	Transfers	Transfers In	Balance at
	31 <sup>st</sup> March	Out	2021/22	31 <sup>st</sup> March
	2021 £'000	2021/22 £'000	2021/22 £'000	2022 £'000
Strategic Waste Reserve	3,840	-592	1,173	4,421
Fire Joint Training Centre	990	-58	-	932
Fire PFI Reserve - GRFS	3,907	-	186	4,093
Insurance Fund	13,923	-5,779	3,287	11,431
Capital Fund	14,675	-6,505	5,736	13,906
Transformation Reserve	10,170	-6,075	8,743	12,838
County Elections	864	-351	-	513
Invest to Save	2,759	-1,000	173	1,932
Education Funding Risk Reserve	216	-64	-	152
Economic Stimulus Reserve	2,614	-1,506	-	1,108
Public Health	1,061	-1,061	2,884	2,884
Vulnerable Children Reserve	174	-247	1,169	1,096
Adult Care Reserve	9,879	-	2,047	11,926
Growing our Communities Reserve	149	-60	-	89
People Services Reserve	231	-	40	271
Home to School Transport Reserve	28	-	136	164
A417 Missing Link Reserve	289	-348	174	115
Business Rates Reserve	7,490	-1,898	5,900	11,492
Revenue Grant Reserves* See below	62,845	-49,731	50,757	63,871
Economy, Environment & Infrastructure Reserve	6,805	-8,378	11,003	9,430
Traded Services Reserve	161	-31	-	130
Shared Audit Services Reserve	170	-50	32	152
LED Renewables Reserve	532	-	-	532
Minimum Wage Reserve	1,000	-1,000	-	-
Ash Die Back Reserve	700	-700	-	-
Other Reserves	312	-21	30	321
Highways Act Commuted Sums Reserves	2,097	-93	204	2,208
<b>Total Non School Earmarked Reserves</b>	<b>147,881</b>	<b>-85,548</b>	<b>93,674</b>	<b>156,007</b>
<b>Schools Related</b>				
School Balances	19,918	-19,918	23,326	23,326
Other Schools Related	230	-230	160	160
<b>Total School Related</b>	<b>20,148</b>	<b>-20,148</b>	<b>23,486</b>	<b>23,486</b>
<b>Total Earmarked Revenue Reserves</b>	<b>168,029</b>	<b>-105,696</b>	<b>117,160</b>	<b>179,493</b>
<b>General Fund Balances</b>	21,999	-	1,053	23,052
<b>Total Revenue Reserves</b>	<b>190,028</b>	<b>-105,696</b>	<b>118,213</b>	<b>202,545</b>
Earmarked Capital Reserves	Balance at	Transfers	Transfers In	Balance at
	31 <sup>st</sup> March	Out	2021/22	31 <sup>st</sup> March
	2021 £'000	2021/22 £'000	2021/22 £'000	2022 £'000
Capital Grants & Contributions Unapplied Reserve	120,655	-110,784	88,216	98,087
Useable Capital Receipts Reserve	10,020	-11,493	6,671	5,198
<b>Total Capital Reserves</b>	<b>130,675</b>	<b>-122,277</b>	<b>94,887</b>	<b>103,285</b>
<b>Total Useable Reserves</b>	<b>320,703</b>	<b>-227,973</b>	<b>213,100</b>	<b>305,830</b>
Summary of Revenue Grants and Contributions Reserves	Balance at	Transfers	Transfers In	Balance at
	31st March	Out	2021/22	31st March
	2021 £'000	£'000	£'000	£'000
CCG Joint Funding	13,224	-1,259	12,778	24,743
Troubled Families Grant	1,060	-1,060	1,249	1,249
Syrian Resettlement Grant	2,524	-2,524	2,939	2,939
Emergency Services Mobile Communications Grant	274	-274	606	606
Improved Better Care Fund Grant	3,787	-3,787	3,606	3,606
Covid COMF	13,337	-13,133	7,639	7,843
Covid- Track & Trace Grant Funding	1,426	-1,426	623	623
Covid- Emergency Funding	10,946	-10,946	8,674	8,674
Covid- LA Practical Support Grant Funding	121	-121	-	-
Covid-School Transport Grant Funding	339	-339	-	-
Council Tax 75% Covid Income Grant	2,957	-	-	2,957
Covid NNDR Small Business Relief S31 Grant	-	-	4,581	4,581
Covid Additional Relief Fund ( CAMF)	-	-	1,367	1,367
Various Miscellaneous Specific Service Grants	2,212	-2,212	4,683	4,683
Business Rates Additional S31 Grant Funding	10,638	-	-10,638	-
<b>Total Revenue Grants and Contributions Reserve</b>	<b>62,845</b>	<b>-37,081</b>	<b>38,107</b>	<b>63,871</b>

### **Reserve Description**

**Strategic Waste** - This is a smoothing reserve relating to the full contract life of the Energy from Waste project.

**Fire Joint Training Centre** - This is a smoothing reserve relating to the full life contract for the Fire Training Centre.

**Fire PFI (GRFS)** - This is a smoothing reserve relating to the full life contract for the Fire Stations PFI.

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

**Capital Fund** - This reserve is used for capital financing and is fully committed to fund schemes approved under the Council's Capital Programme.

**Transformation** - This reserve funds the transformation required for the Council to make sustainable savings.

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

**Invest to Save** - This reserve is fully committed to invest to save projects e.g.: Salix loan grants initiative for energy saving projects.

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

**Economic Stimulus** - This reserve is fully committed to fund: Rural Broadband; Apprentices; Grow Gloucestershire; Saturn model.

**Public Health** - Ring fenced grant reserve was established in accordance with national grant conditions to carry forward any unspent balances from the annual grant received from Government.

**Vulnerable Children** - The reserve offsets demand-led pressures in Children's Services.

**Adult Care** - This reserve provides funding to mitigate demand risk in Adult Social Care, given the continuing concern about the volatility in demand and the pressure across the health and social care economy.

**Growing Our Communities Fund** – This fund will allow each Councillor to allocate £30,000 over a three year period to invest in key community projects.

**People Services** - The reserve offsets demand-led pressures in People Services.

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

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

**Business Rates** - This reserve was established to cover the Council against a potential funding shortfall in business rate income, given the volatility of the scheme and the potential impact of business rate appeals on income. The reserve also holds £4.539 million ring fenced for economic development projects within the County. Spending plans for this is via the Gloucestershire Economic Growth Joint Committee.

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

**Economy, Environment & Infrastructure** - Reserve has been established to carry forward specific budget under spends.

**Traded Services** - This reserve was established to mitigate against any loss in traded income and invest in services to generate more traded income.

**Shared Audit Services** - This reserve was established to hold specific reserves held under the Shared Audit Services.

**LED Renewables** - This reserve was established to provide budget support for the LED renewables project.

**Minimum Wage** - This reserve was established to provide budget support for increases in the cost of employment and engagement with partners.

**Ash Die Back Reserve** - Established to support the Ash Die Back Replacement Project

**Other** - Small number of miscellaneous reserves

**Highways Act Commuted Sums** - Monies held to support costs of future highways maintenance.

**School Balances and Other School Related** - These reserves represent specific ring fenced balances held by individual schools and central ring fenced balances carried forward to support future years expenditure. The Dedicated School Grant Reserve is currently in a deficit position and therefore excluded from this analysis, but is held as an unusable reserve in accordance with new legislation and accounting standards.(See Note 13)

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

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

**3. Non-current Assets**

2020/21	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI & PPP Assets included in PPE
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross book value at 31<sup>st</sup> March 2020</b>	<b>907,452</b>	<b>163,844</b>	<b>5,974</b>	<b>1,521</b>	<b>1,078,791</b>	<b>203,971</b>
Additions	8,738	9,443	-	10,417	28,598	514
Revaluation increases recognised in Revaluation Reserve	22,608	-	-	-	22,608	4,794
Revaluation increases recognised in the Surplus on the Provision of Services	5,994	-	-	-	5,994	-
Revaluation decrease recognised in Revaluation Reserve	-22,026	-	-599	-	-22,625	-12
Revaluation decreases recognised in the Surplus on the Provision of Services	-5,923	-7,352	-	-	-13,275	-7,212
Revalued assets –Depreciation reversals	-22,892	-	-69	-	-22,961	-8,637
Derecognition – Disposals	-23,005	-11,360	-1,590	-	-35,955	-
Assets Reclassification from AHFS	379	-	650	-	1,029	-
<b>Gross book value at 31<sup>st</sup> March 2021</b>	<b>871,325</b>	<b>154,575</b>	<b>4,366</b>	<b>11,938</b>	<b>1,042,204</b>	<b>193,418</b>
<b>Accumulated Depreciation and Impairment as at 31<sup>st</sup></b>	<b>-</b>	<b>-20,276</b>	<b>-</b>	<b>-</b>	<b>-20,276</b>	<b>-</b>
Depreciation charge in year	-20,859	-11,129	-69	-	-32,057	-8,637
Depreciation written out to the Surplus/Deficit on the Provision of Services	11,582	5,015	172	-	16,769	7,733
Depreciation written out to the Revaluation Reserve	6,295	-	-103	-	6,192	904
Derecognition – Disposals	2,982	11,340	-	-	14,322	-
<b>At 31<sup>st</sup> March 2021</b>	<b>-</b>	<b>-15,050</b>	<b>-</b>	<b>-</b>	<b>-15,050</b>	<b>-</b>
<b>Net book value at 31<sup>st</sup> March 2021</b>	<b>871,325</b>	<b>139,525</b>	<b>4,366</b>	<b>11,938</b>	<b>1,027,154</b>	<b>193,418</b>

**3. Non-current Assets**

2021/22	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI & PPP Assets included in PPE
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross book value at 31<sup>st</sup> March 2021</b>	<b>871,325</b>	<b>154,575</b>	<b>4,366</b>	<b>11,938</b>	<b>1,042,204</b>	<b>193,418</b>
Additions	10,937	7,578	-	5,090	23,605	948
Revaluation inc/dec recognised in Revaluation Reserve	111,576	6,028	1,802	-	119,406	26,639
Revaluation inc/dec recognised in Surplus on the Provision of Services	-502	11,011	-522	-	9,987	12,621
Revalued assets –Depreciation reversals	-25,283	-2,023	-	-	-27,306	-9,714
Derecognition – Disposals	-3,955	-213	-650	-	-4,818	-
Derecognition – Other	-	-	-	-109	-109	-
Asset Reclassification and Transfers	15,484	128	-	-15,612	0	-
Revalued assets –Depreciation reversals adjustment	5,015	-	0	5,015	-	-
<b>Gross book value at 31<sup>st</sup> March 2022</b>	<b>984,597</b>	<b>177,084</b>	<b>4,996</b>	<b>1,307</b>	<b>1,167,984</b>	<b>223,912</b>
<b>Accumulated Depreciation &amp; Impairment as at 31<sup>st</sup> March 2021</b>	<b>-</b>	<b>-15,050</b>	<b>-</b>	<b>-</b>	<b>-15,050</b>	<b>-</b>
Depreciation charge in year	-25,815	-7,975	-	-	-33,790	-9,714
Depreciation written out to Surplus/Deficit on the Provision of Services	31	-	-	-	31	-
Depreciation written out to Revaluation Reserve	25,252	2,023	-	-	27,275	9,714
Derecognition – Disposals	134	193	-	-	327	-
Asset Reclassification and Transfers	3	-3	-	-	-	-
Revalued assets –Depreciation written out adjustment	-	-5,015	-	-	-5,015	-
<b>At 31<sup>st</sup> March 2022</b>	<b>-395</b>	<b>-25,827</b>	<b>-</b>	<b>-</b>	<b>-26,222</b>	<b>-</b>
<b>Net book value at 31<sup>st</sup> March 2022</b>	<b>984,202</b>	<b>151,257</b>	<b>4,996</b>	<b>1,307</b>	<b>1,141,762</b>	<b>223,912</b>

*In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.*

Infrastructure Assets	2020/2021 £'000	2021/2022 £'000
<b>Opening Net book value</b>	<b>446,888</b>	<b>483,504</b>
Additions	67,302	61,127
Depreciation charge in year	-30,686	-30,925
Asset Reclassification and Transfers	-	-
<b>Closing Net book value</b>	<b>483,504</b>	<b>513,706</b>

Total Property Plant & Equipment reported on Balance Sheet	2020/2021 £'000	2021/2022 £'000
Land & Buildings; Vehicle, Plant, Furniture & Equipment; Surplus and Asset Under Construction	1,027,154	1,141,762
Infrastructure Assets	483,504	513,706
<b>Non-current Assets- Net book value</b>	<b>1,510,658</b>	<b>1,655,468</b>

## **Non Current Asset Valuations**

### **Land and Property**

The Code requires all land and property to be formally revalued at least every five years. Our revaluations are done on a two year rolling programme, this years valuation covers a full valuation of all School assets as at 31<sup>st</sup> December 2021, with a review of any movement between then and 31st March 2022. And a review of all Non School assets as at 31<sup>st</sup> March 2022.

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

### **Fair Value- Surplus Assets**

Non-operational land and property is included on the basis of IFRS 13 Fair Value except assets under construction which are included on the basis of capital expenditure incurred by 31<sup>st</sup> March 2022. The valuations have been undertaken through a combination of the Council's internal valuers and where necessary, external valuers, all of which are RICS qualified, consistent with the current accounting policy. All the Council's surplus assets have been assessed as Level 3 for valuation purposes using the following fair value hierarchy:-

Level 1- Fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

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

Level 3 - Fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness and calculated at highest and best use

### **Vehicles, Plant, Furniture and Equipment**

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

### **Infrastructure Assets**

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

### **Donated Assets**

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

#### 4. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

As Reported for Resource Management	2020/21					Expenditure and Funding Analysis					2021/22										
	Adjustments to Arrive at the New Amount	Net Expenditure Chargeable to the General Fund Balance	Adjustments Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		As Reported for Resource Management	Adjustments to Arrive at the New Amount	Net Expenditure Chargeable to the General Fund Balance	Expenditure Funding and Accounting Basis		As Reported for Resource Management	Adjustments to Arrive at the New Amount	Net Expenditure Chargeable to the General Fund Balance	Expenditure Funding and Accounting Basis							
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000						
166,092	-9,485	156,607	-8,649	147,958	Adults	155,816	97	155,913	-7,061	148,852	35,123	-587	34,536	34,414	-	34,414	5,192	39,606			
140,456	-11,721	128,735	29,261	157,996	Prevention & Wellbeing	143,146	8	143,154	47,449	190,603	84,655	-20,066	64,589	77,146	-14,770	62,376	27,344	89,720			
23,073	-4,390	18,683	4,217	22,900	Children & Families	20,096	-2,160	17,936	8,244	26,180	38,826	-	38,826	38,903	-	38,903	2,073	40,976			
-36,770	32,730	-4,040	4,040	-	Economy, Environment & Infrastructure	-	-	-	-	-	47,422	-10,937	36,485	34,906	-7,584	27,322	12,094	39,416			
<b>498,877</b>	<b>-24,456</b>	<b>474,421</b>	<b>28,848</b>	<b>503,269</b>	<b>Net cost of Services</b>	<b>504,427</b>	<b>-24,409</b>	<b>480,018</b>	<b>95,335</b>	<b>575,353</b>	-502,030	24,456	-477,574	-65,399	-542,973	Other income and expenditure	-505,480	24,409	-481,071	-61,711	-542,782
<b>-3,153</b>	<b>-</b>	<b>-3,153</b>	<b>-36,551</b>	<b>-39,704</b>	<b>Surplus or Deficit</b>	<b>-1,053</b>	<b>-</b>	<b>-1,053</b>	<b>33,624</b>	<b>32,571</b>	<b>18,846</b>	<b>3,153</b>	<b>-</b>	<b>Opening General Fund Balance 31<sup>st</sup> March</b>	<b>21,999</b>	<b>Surplus/deficit on General Fund</b>	<b>1,053</b>	<b>Budgeted Transfer from General Fund</b>	<b>-</b>	<b>Closing General Fund Balance 31<sup>st</sup> March</b>	<b>23,052</b>
<b>21,999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>											

2020/21

Adjustments from the General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	As Reported for Resource Management	Interest Receivable	Flood Defence Levies Reported at Portfolio Level	Interest Payable	Removal of Central Support Recharges and Adjustment for Public Health Grant Funding	Net Expenditure Charged to the General Fund Balance	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Adjustments Between Funding and Accounting Basis	Total Adjustments
		Reported at Portfolio Level	Reported at Portfolio Level	Reported at Portfolio Level	£000	£000	£000	£000	£000	£000	£000
Adults	166,092	69	-	-	-9,554	156,607	5,453	876	-14,978	-8,649	-18,134
Prevention & Wellbeing	35,123	-	-	-	-587	34,536	-	33	-15,064	-15,031	-15,618
Children & Families	140,456	90	-	-	-11,811	128,735	27,860	-52	1,453	29,261	17,540
Economy, Environment & Infrastructure	84,655	-	-	-14,812	-5,254	64,589	46,055	460	-6,735	39,780	19,714
Community Safety	23,073	-	-	-2,151	-2,239	18,683	4,229	1,494	-1,506	4,217	-173
Corporate Resources	38,826	-	-	-	-	38,826	4,278	564	-4,971	-129	-129
Corporate Resources Recharges	-36,770	-	-	-	32,730	-4,040	-	-	4,040	4,040	36,770
Technical & Countywide	47,422	5,394	-327	-12,719	-3,285	36,485	767	-264	-25,144	-24,641	-35,578
<b>Net Cost of Services</b>	<b>498,877</b>	<b>5,553</b>	<b>-327</b>	<b>-29,682</b>	<b>-</b>	<b>474,421</b>	<b>88,642</b>	<b>3,111</b>	<b>-62,905</b>	<b>28,848</b>	<b>4,392</b>
<b>Other income and expenditure from the funding analysis</b>	<b>-502,030</b>	<b>-5,553</b>	<b>327</b>	<b>29,682</b>	<b>-</b>	<b>-477,574</b>	<b>14,462</b>	<b>16,125</b>	<b>-95,986</b>	<b>-65,399</b>	<b>-40,943</b>
<b>Difference between General Fund Surplus and Deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit</b>	<b>-3,153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3,153</b>	<b>103,104</b>	<b>19,236</b>	<b>-158,891</b>	<b>-36,551</b>	<b>-36,551</b>

**Note i Adjustments for Capital Purposes**

Adjustments for capital purposes – this column adds in depreciation, impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on the disposal of assets and the amounts written off for those assets. □

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Note ii Net Change for the Pensions Adjustments**

Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

**Note iii Other Differences**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For financing and investment income and expenditure the other differences column recognises adjustments to the general fund for the timing differences for premiums and discounts. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and non domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the collection fund.

2021/22

Adjustments from the General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	As Reported for Resource Management	Interest Receivable	Flood Defence Levies Reported at Portfolio Level	Interest Payable Reported at Portfolio Level	Net Expenditure Charged to the General Fund Balance	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Adjustments Between Funding and Accounting Basis	Total Adjustments
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Adults	155,816	97	-	-	155,913	1,142	8,190	-16,393	-7,061	-6,964
Prevention & Wellbeing	34,414	-	-	-	34,414	-	379	4,813	5,192	5,192
Children & Families	143,146	8	-	-	143,154	47,623	-	-174	47,449	47,457
Economy, Environment & Infrastructure	77,146	-	-	-14,770	62,376	29,136	3,891	-5,683	27,344	12,574
Community Safety	20,096	-	-	-2,160	17,936	3,973	4,505	-234	8,244	6,084
Corporate Resources	38,903	-	-	-	38,903	5,482	-	-3,409	2,073	2,073
Corporate Resources Recharges	-	-	-	-	-	-	-	-	-	-
Technical & Countywide	34,906	4,690	-335	-11,939	27,322	6,325	23,886	-18,117	12,094	4,510
<b>Net Cost of Services</b>	<b>504,427</b>	<b>4,795</b>	<b>-335</b>	<b>-28,869</b>	<b>480,018</b>	<b>93,681</b>	<b>40,851</b>	<b>-39,197</b>	<b>95,335</b>	<b>70,926</b>
Other income and expenditure from the funding analysis	-505,480	-4,795	335	28,869	-481,071	-1,956	18,441	-78,196	-61,711	-37,302
<b>Difference between General Fund Surplus and Deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit</b>	<b>-1,053</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,053</b>	<b>91,725</b>	<b>59,292</b>	<b>-117,393</b>	<b>33,624</b>	<b>33,624</b>

#### Note i Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation, impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on the disposal of assets and the amounts written off for those assets.□

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

#### Note ii Net Change for the Pensions Adjustments

Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For financing and investment income and expenditure — the net interest on the defined benefit liability is charged to the CIES.

#### Note iii Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For financing and investment income and expenditure the other differences column recognises adjustments to the general fund for the timing differences for premiums and discounts. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and non domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the collection fund.

Revenues From External Customers	2020/21	2021/22
	£000	£000
Adults	-31,011	-34,092
Children & Families	-5,901	-9,384
Economy, Environment & Infrastructure	-18,413	-28,147
Community Safety	-906	-838
Prevention & Wellbeing	-277	-17
Corporate Resources	-6,892	-9,679
Technical & Countywide	-15	-37
<b>Total Revenue from External Customers</b>	<b>-63,415</b>	<b>-82,194</b>

## 5. Financial Instruments

### Fair Values of Assets and Liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for "Lender's Option Borrower's Option" (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31<sup>st</sup> March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low interest rate environment.

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

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

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

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

	Fair Value Level	31 <sup>st</sup> March 2021		31 <sup>st</sup> March 2022	
		Carrying Amount shown on Balance Sheet	Fair Value £'000	Carrying Amount shown on Balance Sheet	Fair Value £'000
<b><i>Financial liabilities held at amortised cost:</i></b>					
Loans from PWLB	2	222,684	306,996	207,333	256,953
Non PWLB loans	2	41,585	78,545	41,586	69,217
Finance Leases and PFI Liabilities	2	97,070	69,860	95,893	61,663
<b>Total Financial Liabilities held at amortised cost</b>		<b>361,339</b>	<b>455,401</b>	<b>344,812</b>	<b>387,833</b>
Liabilities for which fair value is not disclosed *			202,639		200,431
<b>Total Financial Liabilities</b>		<b>563,978</b>	<b>658,040</b>	<b>545,243</b>	<b>588,264</b>
Recorded on the balance sheet as:					
Short term creditors**		134,296		133,645	
Short term borrowing		51,819		43,659	
Short term provisions		2,826		4,737	
Deferred liabilities		61,666		59,007	
Long term borrowing		309,520		301,153	
Long term provisions		3,851		3,042	
<b>Total Financial Liabilities</b>		<b>563,978</b>		<b>545,243</b>	

\* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

\*\* The creditors lines on the Balance Sheet include £61.0m creditors (£60.4m in 2020/21) that do not meet the definition of a financial liability as they relate to non-exchange transactions or receipts in advance.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

	Fair Value Level	Restated (1) 31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2022
		Balance Sheet at Fair Value	Balance Sheet at Fair Value
<b>Financial assets held at fair value</b>			
Money market funds	1	£'000 41,025	£'000 41,863
Cash Plus Money Market Funds	1	-	14,773
Equities & Property Funds	1	73,063	99,251
<b>Total Financial Assets held at Fair Value</b>		<b>114,088</b>	<b>155,887</b>

	Fair Value	31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2022
		Balance Sheet	Fair Value
		£'000	£'000
Bank/other deposits	2	42,636	44,749
Loans to local authorities	2	171,472	172,765
Cash in Hand		10,100	10,100
<b>Total Financial Assets held at Amortised Cost</b>		<b>224,208</b>	<b>227,614</b>
			181,931
			182,263

Assets for which fair value is not disclosed *	74,309	82,205
<b>Total Financial Assets</b>	<b>416,011</b>	<b>420,355</b>

Investment Classification:	Restated (1)	Restated (2)	31 <sup>st</sup> March 2022		
	31 <sup>st</sup> March 2021		Held at FV	Held at AC	Total
			£'000	£'000	£'000
Financial Assets					
Cash & Cash Equivalent	41,025	52,730	93,755	41,844	56,909
Short Term	616	114,047	114,663	15,549	90,354
Long Term	72,447	60,221	132,668	98,493	35,000
Assets for which FV is not disclosed	-	74,309	74,309	-	82,205
<b>Total Financial Assets</b>	<b>114,088</b>	<b>301,307</b>	<b>415,395</b>	<b>155,886</b>	<b>264,468</b>
					420,354

	31st March	31st March
	2021	2022
	£'000	£'000
Recorded on the balance sheet as:-		
Long-term debtors	8	-
Long-term investments	132,668	133,493
Short-term debtors**	74,301	82,205
Short-term investments	114,663	105,903
Cash and cash equivalents	93,755	98,753
<b>Total Financial Assets</b>	<b>415,395</b>	<b>420,354</b>

(1) the 2020/21 position for cash and cash equivalent has been restated by £616k for the reclassification of assets between FV and AC

(2) the 2020/21 position was restated as it was identified that the position was not adding up as expected per the agreed final position

\* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

\*\* The debtors lines on the Balance Sheet include £51.5m debtors (£44.1m in 2020/21) that do not meet the definition of a financial asset as they relate to non-exchange transactions or payments in advance.

The fair value of financial assets held at amortised cost is marginally lower than their balance sheet carrying amount because the interest rate on similar investments is now slightly lower than that obtained when the investment was originally made.

The Council holds shares costing £1 in Ubico Ltd. The fair value of the council's interest in the company at 31<sup>st</sup> March is considered to be nil, since it is a wholly local authority owned not-for-profit 'Teckal' company. As a 'Teckal' company it is treated as if it were an in-house department and the shareholder councils are able to enter into service contracts with the company without undertaking an EU compliant procurement process.

## Expense, Income, Gains and Losses

	2020/21					2021/22					<b>Total</b>	
	Financial Liabilities: Amortised Cost	Financial Assets: Amortised Cost	Financial Assets: Value through Profit and Loss	Financial Assets: Fair Value	Financial Assets: through Other Comprehensive Income	Total	Financial Liabilities: Amortised Cost	Financial Assets: Amortised Cost	Financial Assets: Value through Profit and Loss	Financial Assets: Fair Value	Financial Assets: through Other Comprehensive Income	
	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	
Interest expense	29,682	-	-	-	-	29,682	28,869	-	-	-	-	<b>28,869</b>
Losses from changes in fair value												
<b>Interest payable and similar changes</b>	<b>29,682</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,682</b>	<b>28,869</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,869</b>
Interest and dividend income	-	-2,163	-3,306	-83	-5,552		-	-1,991	-2,690	-114	-	<b>-4,795</b>
Gains from changes in fair value	-	-	-4,632	-	-4,632		-	-	-5,638	-	-	<b>-5,638</b>
<b>Interest and investment income</b>	<b>-</b>	<b>-2,163</b>	<b>-7,938</b>	<b>-83</b>	<b>-10,184</b>		<b>-</b>	<b>-1,991</b>	<b>-8,328</b>	<b>-114</b>	<b>-</b>	<b>-10,433</b>
Gain (-)/Loss on revaluation										-250	-	<b>-250</b>
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-250</b>	<b>-</b>	<b>-250</b>
<b>Net loss/gain(-) for the year</b>	<b>29,682</b>	<b>-2,163</b>	<b>-7,938</b>	<b>-83</b>	<b>19,498</b>		<b>28,869</b>	<b>-1,991</b>	<b>-8,328</b>	<b>-364</b>	<b>18,186</b>	

**6. Inventories**

	2020/21 £'000	2021/22 £'000
<b>Maintenance Materials</b>		
Balance outstanding at start of the year	2,230	1,192
Purchases	2,494	1,502
Stock used within the year	-3,532	-1,717
<b>Balance at 31st March</b>	<b>1,192</b>	<b>977</b>

**7. Contractual Capital Commitments**

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

The contractual commitments within the capital programme at this level are:

New Secondary School Cheltenham	£26.5 Million
Warden Hill Primary School - Erection of new school building with associated services and landscaping works	£7.2 Million
Highways Term Maintenance Contract	£40.0 Million

**8. Debtors**

	2020/21 £'000	2021/22 £'000
Central Government Bodies	23,256	19,356
Other Local Authorities	4,524	5,691
NHS Bodies	10,857	12,305
Public Corporations and Trading Funds	212	294
Other Entities and Individuals	35,452	44,559
<b>Balance at 31<sup>st</sup> March</b>	<b>74,301</b>	<b>82,205</b>

**9. Cash and Cash Equivalents**

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

	2020/21 £'000	2021/22 £'000
Cash held by the Council, including schools	10,100	21,449
Cash held in call/money market accounts with same day access	63,726	72,304
Cash Equivalents - investments maturing within 3 months	19,929	5,000
<b>Balance at 31<sup>st</sup> March</b>	<b>93,755</b>	<b>98,753</b>

**10. Assets Held for Sale**

	2020/21 £'000	2021/22 £'000
<b>Balance outstanding at start of year</b>	<b>1,029</b>	-
Assets newly classified as held for sale:		
Property, Plant and Equipment	-	-
Assets sold	-379	-
Assets reclassified back to Property, Plant and Equipment	-650	-
<b>Balance at 31<sup>st</sup> March</b>	<b>-</b>	<b>-</b>

**11. Provisions**

	Short Term Liabilities	Long Term Liabilities	Balance at 1 <sup>st</sup> April 2021	Applications	Additions	Amounts Written off in Year	Balance at 31 <sup>st</sup> March 2022	Short Term Liabilities	Long Term Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Insurance Fund</b>	-2,326	-1,946	<b>-4,272</b>	310 *	-	-	<b>-3,962</b>	-2,673	-1,289
<b>Adults:</b>									
Contracts	-	-1,785	<b>-1,785</b>	518	-	100	<b>-1,167</b>	-957	-210
<b>Economy, Environment &amp; Infrastructure:</b>									
GSWBP Land Claims	-	-91	<b>-91</b>	-	-	-	<b>-91</b>	-	-91
Contracts	-500	-	<b>-500</b>	435	-2,494	-	<b>-2,559</b>	-1,107	-1,452
<b>General:</b>									
LAMS Scheme Liabilities	-	-29	<b>-29</b>	-	-	29	-	-	-
<b>Total</b>	<b>-2,826</b>	<b>-3,851</b>	<b>-6,677</b>	1,263	-2,494	129	<b>-7,779</b>	<b>-4,737</b>	<b>-3,042</b>
Employee Accrual - IAS19 accumulated absences	-9,095	-	<b>-9,095</b>	924	-	-	<b>-8,171</b>	-8,171	-
<b>Total</b>	<b>-9,095</b>	-	<b>-9,095</b>	924	-	-	<b>-8,171</b>	<b>-8,171</b>	-

\* Net movement shown

**Insurance Fund**

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

**Economy, Environment & Infrastructure - Contracts**

These relate to amounts due to external providers under retention periods for a number of highways contracts. It is normal process for there to a defects period under contracts, where a small retention is held back from the final settlement, but is paid on satisfactory completion of this period, normally at the end of a twelve months.

**Employee Accrual - IAS19 accumulated absences**

Local Authorities are required to account for benefits payable during employment in accordance with IAS19. The provision held within the Accumulated Absences Account relates to estimated costs associated with short term benefits such as leave, flexible working hours and additional TOIL, which have been accumulated at the end of 2021/22 but will not be settled until 2022/23.

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

	2020/21 £'000	2021/22 £'000
Central Government Bodies	15,121	20,496
Other Local Authorities	7,300	6,392
NHS Bodies	10,271	8,189
Public Corporations and Trading Funds	362	188
Other Entities and Individuals	101,242	98,380
<b>Balance at 31<sup>st</sup> March</b>	<b>134,296</b>	<b>133,645</b>

**13. Unusable Reserves****Revaluation Reserve**

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

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

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

	2020/21 £'000	2021/22 £'000
<b>Balance at 1<sup>st</sup> April</b>	346,561	329,680
Upward revaluation of assets	22,608	133,966
Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	-22,625	-14,560
Depreciation written out to the Capital Adjustment Account	-6,192	-8,779
Accumulated gains on assets sold or scrapped	-10,672	-807
<b>Balance at 31<sup>st</sup> March</b>	<b>329,680</b>	<b>439,500</b>

**Financial Instrument Revaluation Reserve**

The financial instruments revaluation reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income.

	2020/21 £'000	2021/22 £'000
<b>Balance at 1<sup>st</sup> April</b>	-	-
Sale of Investments	-	-
Change in year end valuation	-	250
Adjustment from Financial Instrument Revaluation Reserve	-	-100
<b>Balance at 31<sup>st</sup> March</b>	<b>-</b>	<b>150</b>

**Pooled Instrument Adjustment Account**

The Pooled Instrument Adjustment Account 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. They are instruments that are categorised as Fair Value through profit and loss but subject to a statutory override so that they do not impact on year on council tax payers

	2020/21 £'000	2021/22 £'000
<b>Balance at 1<sup>st</sup> April</b>	-7,256	-2,624
Sale of Investments	-	-
Change in year end valuation	4,632	5,638
Adjustment to Financial Instrument Revaluation Reserve	100	
<b>Balance at 31<sup>st</sup> March</b>	<b>-2,624</b>	<b>3,114</b>

**Capital Adjustment Account**

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

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

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

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

	2020/21 £'000	2021/22 £'000
<b>Balance at 1<sup>st</sup> April</b>	707,894	727,730
Reversal of items relating to capital expenditure debited or credited to the		
Charges for depreciation of non-current assets	-62,760	-64,734
Depreciation written out to the Revaluation Reserve	6,192	8,779
Amortisation of intangible assets		
PFI Lifecycle costs		
Revaluation losses on Property, Plant and Equipment	-7,280	9,987
Revenue expenditure funded from capital under statute	-18,602	-38,933
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	-21,632	-4,490
Adjusting amounts written out of the Revaluation Reserve	10,672	807
Capital financing applied in the year:		
Write off of deferred charges	2,485	2,484
Use of the Capital Receipts Reserve to finance new capital expenditure	17,751	11,276
RCCO applied to capital financing	4,729	6,270
Voluntary Provision for financing of Capital Investment	-	-
Statutory Provision for the financing of Capital Investment	8,418	8,745
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	79,863	88,080
Donated Asset	-	3,541
<b>Balance at 31<sup>st</sup> March</b>	<b>727,730</b>	<b>759,542</b>

**Defined Pension Fund Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers' contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and present employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2020/21	2021/22
	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	-703,641	-909,926
Remeasurement of net defined benefit liability	-184,240	222,881
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-15,378	-51,975
Advanced Payment of 2021-22 & 2022-23 Employer Contributions	-6,667	3,333
<b>Balance at 31<sup>st</sup> March</b>	<b>-909,926</b>	<b>-735,687</b>

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and local businesses compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

	2020/21	2021/22
	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	-204	-16,413
Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic income calculated for the year in accordance with statutory requirements.	-16,209	10,380
<b>Balance at 31<sup>st</sup> March</b>	<b>-16,413</b>	<b>-6,033</b>

**Accumulated Absences Account**

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

	2020/21	2021/22
	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	-8,065	-9,096
Amount in which the settlement or cancellation of accrual made at the end of the preceding year and the amount accrued at the end of this year differs.	-1,031	925
<b>Balance at 31<sup>st</sup> March</b>	<b>-9,096</b>	<b>-8,171</b>

**Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums and discounts paid or received on the early redemption of loans. Premiums or discounts are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the general fund balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the general fund balance in accordance with statutory arrangements for spreading the burden on council tax.

	2020/21 £'000	2021/22 £'000
<b>Balance at 1<sup>st</sup> April</b>	-3,370	-3,065
Adjustments with the General Fund relating to the total of deferred		
Net write down	305	268
<b>Balance at 31<sup>st</sup> March</b>	<b>-3,065</b>	<b>-2,797</b>

**Deferred Capital Receipts Reserve**

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

The transfers represents the money received back from the funds invested in Funding Circle (originally £0.1 million). As these monies are invested for capital purposes, they will be used for further capital investment in line with accounting standards.

	2020/21 £'000	2021/22 £'000
<b>Balance at 1<sup>st</sup> April</b>	63	8
Transfer to the Capital Receipts Reserve upon receipt of cash	-55	-8
<b>Balance at 31<sup>st</sup> March</b>	<b>8</b>	<b>-</b>

**Dedicated Schools Grant Deficit Reserve**

Following a change in legislation and accounting standards the Dedicated Schools Grant Deficit Reserve, no longer forms part of the Council's useable reserves. This is now included within unusable reserves on the balance sheet. The Dedicated Schools Grant Deficit Reserve absorbs the differences that would otherwise arise on the General Fund Balance. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2020/21 £'000	2021/22 £'000
<b>Balance at 1<sup>st</sup> April</b>	-	-11,891
Transfer from Earmarked Reserve on Recognition	-6,716	-
Adjustments with the General Fund relating to the final accumulated deficit on the dedicated school grant activities in year	-5,175	-5,152
<b>Balance at 31<sup>st</sup> March</b>	<b>-11,891</b>	<b>-17,043</b>

#### 14. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

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

	2020/21 £'000	2021/22 £'000
Depreciation & Impairment	-70,023	-54,668
Amortisation	-17	-19
Increase/Decrease in Creditors	-34,339	-509
Increase/Decrease in Debtors	19,870	7,693
Increase/Decrease in Inventories	-1,038	-215
Movement in Pension Liability	-15,377	-51,975
Other non-cash items charged to the net surplus or deficit on the provision of services	3,939	2,817
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-21,632	-4,490
<b>Total</b>	<b>-118,617</b>	<b>-101,366</b>

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

	2020/21 £'000	2021/22 £'000
Capital Grants credited to surplus or deficit on the provision of services	106,304	65,512
Premiums or discounts on the repayment of financial liabilities	-306	-266
Proceeds from the sale of property plant and equipment, investment property and intangible assets	7,171	6,446
<b>Net cash flows from Operating Activities</b>	<b>113,169</b>	<b>71,692</b>

The cash flows for operating activities include the following items:

	2020/21 £'000	2021/22 £'000
Interest received	-5,600	-5,234
Interest paid	30,187	29,639
<b>Total</b>	<b>24,587</b>	<b>24,405</b>

**15. Cash Flow Statement – Investing Activities**

	2020/21 £'000	2021/22 £'000
Purchase of property, plant and equipment, investment property and intangible assets	95,005	86,662
Purchase of short-term and long-term investments	756,117	699,702
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-7,226	-6,454
Proceeds from short-term and long-term investments	-730,656	-713,085
Other receipts from investing activities	-84,493	-93,077
<b>Net cash flows from Investing Activities</b>	<b>28,747</b>	<b>-26,252</b>

**16. Cash Flow Statement – Financing Activities**

	2020/21 £'000	2021/22 £'000
Cash receipts of short and long term borrowing	-18,000	-
Repayments of short-term and long-term borrowing	45,963	15,145
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,780	3,272
<b>Net cash flows from Financing Activities</b>	<b>31,743</b>	<b>18,417</b>

**17. Movement in Net Debt**

	2020/21 £'000	2021/22 £'000	Movements in year £'000
<b>Movement In Cash Balances:</b>			
Imprest Accounts	98	105	7
Cash at Bank	73,728	93,648	19,920
Cash Equivalent investments	19,929	5,000	-14,929
<b>Net Cash</b>	<b>93,755</b>	<b>98,753</b>	<b>4,998</b>
Financing & Liquid Resources	-308,334	-297,927	10,407
<b>Net Debt</b>	<b>-214,579</b>	<b>-199,174</b>	<b>15,405</b>

**18. Expenditure and Income Analysed by Nature**

	2020/21 £'000	2021/22 £'000
Fees, Charges & Other Service Income	-147,412	-169,042
Interest and Investment Income	-5,552	-4,795
Valuation Gain on Financial Instruments	-4,632	-5,638
Income from Council Tax	-310,486	-332,784
Government Grants and Contributions	-542,279	-535,178
Capital Grants and Contributions	-105,997	-69,052
Fire Pensions Top Up Grant	-3,858	-3,983
Gain on disposal of fixed Assets	-	-1,956
<b>Total Income</b>	<b>-1,120,216</b>	<b>-1,122,428</b>
Employee Expenses	374,255	418,407
Other Service Expenses	573,470	614,043
Depreciation, Amortisation and Impairment	70,041	54,747
Valuation Loss on Financial Instruments	-	-
Revenue expenditure funded from capital under statute	18,602	38,933
Interest Payments	29,682	28,869
Loss on the disposal of fixed assets	14,462	-
<b>Total Operating Expenses</b>	<b>1,080,512</b>	<b>1,154,999</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>-39,704</b>	<b>32,571</b>

## **19. Pooled Budgets & Partnership Working**

The Council has entered into partnership with Gloucestershire Clinical Commissioning Group under Section 75 of the NHS Act 2006. This legislation 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. The partnership agreement comprises an overarching agreement, together with specific sections covering the following service areas;

### **Provision of Adult Mental Health Services (Integrated Budget)**

A partnership agreement with Gloucestershire Clinical Commissioning Group is in place to commission mental health services for adults. In 2021/22 the Council's share of the gross expenditure of the partnership was £10.3 million (£10.0 million in 2020/21), gross income was nil (nil in 2020/21) and therefore the Council's net contribution was £10.3 million (£10.0 million in 2020/21).

### **Provision of Child & Adolescent Mental Health Services (Integrated Budget)**

A partnership agreement with Gloucestershire Clinical Commissioning Group is in place to commission mental health services for children and young people. In 2021/22 the Council's share of the gross expenditure of the partnership was £0.65 million (£0.65 million in 2020/21), gross income was nil (nil in 2020/21) and therefore the Council's net contribution was £0.65 million (£0.65 million in 2020/21).

### **Provision of Social Care Occupational Therapy (Integrated Budget)**

A partnership agreement with Gloucestershire Clinical Commissioning Group is in place to commission occupational therapy services. In 2021/22 the gross expenditure of the partnership was £3.5 million (£3.4 million in 2020/21), gross income was nil (nil in 2020/21) and the Council's contribution was £2.4 million (£2.4 million in 2020/21). The CCG's contribution is funded through the Better Care Fund.

### **Provision of a Community Equipment Service (Pooled Budget)**

A partnership agreement, with Gloucestershire Clinical Commissioning Group to commission Community Equipment Services is in place. A requirement of the Pool agreement is that income and expenditure must be charged to each partner in proportion to their financial contribution to the service.

In 2021/22 the gross expenditure of the partnership was £8.4 million (£7.9 million in 2020/21), gross external income was £0.5 million (£1.0 million in 2020/21), and the Council's contribution was £2.4 million (£2.2 million in 2020/21). A further £2.1 million was made available to the partnership from the Disabled Facilities Grant (£1.1 million in 2020/21).

### **The Better Care Fund**

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

In 2021/22 the total funding covered within the BCF was £51.3 million (£48.9 million in 2020/21), of which £15.3 million was allocated to the Council as Lead Commissioner (£14.9 million in 2020/21), and £6.8 million was allocated through the Disabled Facilities Grant (£6.8 million in 2020/21). The CCG was allocated £29.1 million as Lead Commissioner (£27.2 million in 2020/21).

### **Continuing Health Care & Funded Nursing Care**

Support to the CCG in meeting its statutory responsibility to assess eligibility for funded nursing and continuing health care, and to commission care. Support is given through the Council's Integrated Brokerage Team.

In 2021/22 Council funding of £1.2 million was provided to the Brokerage Team under this agreement (£1.2 million in 2020/21), and support was also given under the Better Care Fund.

### Hospital Discharge Programme (Covid-19)

The COVID-19 Hospital Discharge Service funding arrangement was established specifically for the purpose of accelerating discharge and increasing admission avoidance. Additional costs incurred were charged to the scheme, totalling £5.4 million for the CCG, (£10.6 million for the CCG, and £0.4m for GCC in 2020/21).

### Fastershire

Fastershire is a partnership between Herefordshire Council and Gloucestershire County Council which formed in 2012. The Council has jointly worked on the Fastershire Broadband Strategy approved by Cabinet in September 2014. Herefordshire Council acts as the lead authority for this partnership, and the Council provides additional revenue funding for the programme management and project team support. The Partnership covers a range of funding streams as summarised below:

#### Borders Broadband £15.570 million

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

The Council approved a commitment of £7.5 million to the project, which is reflected in the Council's approved capital programme for 2014/15 and 2015/16. This was match funding to enable the authorities to draw down the central government contribution via BDUK, which was £18.17 million for both Counties.

The contract with BT ended with the final expenditure of £12.3 million relating to Gloucestershire of which £8.1 million was funded from government grant and £4.2 million funded from the Council's Reserves. The BDUK government grant required a minimum match funding from the Council of £7.5 million therefore an additional £3.3 million of funding must be spent on Broadband investment as part of the Gloucestershire strategy going forward. In 2021/22 the Council entered a provision for £1.452 million leaving £0.740 million as part of the Council's Economic Stimulus Reserve earmarked for spend against Broadband.

#### South West Ultrafast £4.00 million

The County Council was awarded a £2.00 million grant from the BDUK South West Ultrafast Broadband and £2.00 million has been matched funded by the County Council fund, approved by Cabinet on 12th December 2015, which was administered through the Fastershire partnership.

#### Superfast Extension Programme (SEP) £9.66 million

The Fastershire partnership was awarded £9.66 million with the County Council receiving £5.46 million from BDUK (SEP) and match funding of £4.2 million was approved by Cabinet on 17th September 2014. To date the following contracts has been let for Gloucestershire.

Contract	Provider	Gloucestershire
Stage 3.1	Gigaclear	1,500
Stage 3.2/3.3c	Gigaclear	2,759
Stage 3.3a	BT	346
Stage 3.3d	Gigaclear	1,404
Stage 3.3e	Gigaclear	604
Stage 4 MGBG		287
Stage 5 FCG		1,590
TBC		1,170
		<b>9,660</b>
BDUK Grant Funding		-5,460
Council Funded		-4,200
<b>Total Council Match funding</b>		<b>-9,660</b>

During 2021-2022 Gloucestershire has an estimated benefit from £1.452 million of Broadband investment which will be funded from within the Council's Economic Stimulus Reserve earmarked for spend against Broadband.

The 'Fastershire Broadband Strategy' project had a outturn forecast expenditure estimated to be £2.49 million but due to the primary civils contractor Complete Utilities suspending trading in November 2021 this has impacted upon the delivery of the broadband programme within Gloucestershire. Gigaclear, who holds the Fastershire Broadband contract with the authority have prioritised the delivery of the programme and have experienced a delay in data provided by Complete Utilities to enable Gigaclear to accurately verify the works and invoice the Council within the financial year. Therefore, the Council are unable to show the actual spend in year but instead have entered a provision on the basis that 7 months of work was delivered by Complete Utilities, so we have taken the forecast spend of £2.49 million and pro rata to come up with the £1.452 million estimate for the provision.

### **Shared Audit Services**

The ARA shared service is an audit risk & assurance shared service hosted by the Council under a section 101 agreement, with Stroud District Council and Gloucester City Council as partners. Governance arrangements are completed through a Shared Service Board. All expenditure and income is within the Council's accounts, with the two partners being charged an annual fee based on agreed service provision. Fee income is also received from the provision of audit and other services to wider partners (such as Ubico Ltd and Academies) through agreed contracts. In 2021/22, the net spend totalled £0.608 million.

In addition to the net spend, a dividend was released to the ARA partners in quarter 1 2020/21 based on a surplus position achieved by the shared service in 2019/20 and the section 101 agreement fee base percentages. The dividend released to Gloucestershire County Council was £31,155. A dividend release to the Council is expected in 2022/23 for the shared service surplus achieved in 2021/22. The value of the dividend will be agreed by the ARA Shared Service Board in June 2022.

### **Ubico Ltd**

Ubico Ltd. was originally formed in 2012 as a company wholly owned by its shareholders, Cheltenham Borough Council and Cotswold District Council. The company is responsible for delivering the shareholders' environmental services within their respective council boundaries. The Forest of Dean District Council, Tewkesbury Borough Council and West Oxfordshire District Council joined the partnership on 1st April 2015. Stroud District Council joined in January 2016, Gloucestershire County Council joined in August 2016 and Gloucester City Council joined in November 2021. Each of the eight authorities are now equal shareholders.

The Council procured supplies and services totalling net expenditure of £1.889 million from Ubico Ltd during 2021/22, £0.187 million of which is included in the council's balance sheet: £0.034 million as a short term creditor and £0.221 million as a short term debtor at year end. Sites, plant and equipment and other infrastructure are provided by the Council and are included within the Councils asset register. Vehicles used for haulage are provided by Ubico Ltd under the terms of the contract.

### **Adoption West**

On the 1 March 2019 the Council joined together with Bath and North East Somerset, Bristol and North Somerset, South Gloucestershire and Wiltshire Councils to create a new regional adoption agency, called Adoption West. The aim of the collaboration is to deliver an adoption service that offers improved outcomes for both children, people who want to adopt and people whose lives are affected by adoption. During 2021/22 the Council made payments to Adoption West totalling £0.918 million.

Note 25 provides more information on related party transactions and arrangements for the Council.

## 20. Officer's Remuneration

The Council is required to list all post holders who earn between £50,000 and £150,000 or more 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.
- They hold posts that have significant influence and control over the Council's activities.

The senior employees who met the above criteria for 2020/21 and 2021/22 are as follows:

### 2020/21 (\*Restated)

	Salary, Fees and Allowances £	Compensation for loss of Office £	Other Taxable Benefits £	Employer's Pension Contribution £	Total £
Chief Executive Mr P Bungard (1)	141,420	-	-	-	<b>141,420</b>
Commissioning Director (2)	60,789	-	1,203	14,589	<b>76,581</b>
Chief Fire Officer - Mr W. Bowcock	135,897	-	-	39,138	<b>175,035</b>
Executive Director: Economy, Environment & Infrastructure - Mr C. Chick	140,775	-	-	28,577	<b>169,352</b>
Executive Director: Adults Social Care (3)	84,038	-	-	-	<b>84,038</b>
Operations Lead: Adult Social Care & Business Development (4)	35,550	-	-	7,217	<b>42,767</b>
Director of Adults Social Care operations (4)	96,414	-	-	19,572	<b>115,986</b>
Director of Integration (5)	58,034	-	6	8,218	<b>66,258</b>
Director of Public Health (6)	79,988	-	-	11,502	<b>91,490</b>
Executive Director: Adults Social Care and Public Health (6) - S. Scott	32,756	-	-	4,710	<b>37,466</b>
Executive Director: Children's Services	146,049	-	-	-	<b>146,049</b>
Director of Children's Safeguarding and care (7)	17,649	38,924	-	3,512	<b>60,085</b>
Director of Children's Partnerships	106,650	-	-	21,650	<b>128,300</b>
Director of Education (8)	61,708	-	-	12,527	<b>74,235</b>
Executive Director: Corporate resources - Mr S. Mawson	135,897	-	-	27,587	<b>163,484</b>
Director of Finance	103,239	-	-	20,957	<b>124,196</b>
Director of Digital and People services	99,825	-	-	20,264	<b>120,089</b>
Director of Policy, Performance & Governance and Monitoring Officer	96,414	-	-	19,611	<b>116,025</b>
	<b>1,633,092</b>	<b>38,924</b>	<b>1,209</b>	<b>259,631</b>	<b>1,932,856</b>

- 1 The Chief Executive works 29.6 hours per week. The full time equivalent salary for 2020/21 is £176,775
- 2 The Commissioning Director is an employee of Gloucester City Council and Gloucestershire County Council is liable for half of the costs associated with this role.
- 3 The Executive Director: Adult Social Case worked 29.6 hours per week and left the position on 31/12/2020. The full time and full year equivalent for 2020/21 is £140,775. The position was merged with the Director of Public Health position from the 01/01/2021 (Further details in Note 6).
- 4 The Operations Lead: Adults Social Care and Business Development left on 31/07/2020, this was due to be 31/03/2020 but stayed in position due to COVID. The full year equivalent for this post is £106,650. The Director of Adults Social Care replaces this position.
- 5 The Director of Integration is an employee of Gloucestershire Clinical Group and Gloucestershire County Council is liable for half of the costs associated with this role.
- 6 The Director of Public Health became the Executive Director: Adults Social Care and Public Health from the 01/01/2021 following the Executive Director: Adults Social Care leaving on 31/12/2020. The full year equivalent salaries for the Director of Public Health post and Executive Director: Adults social care and Public Health are £106,650 and £131,024 respectively.
- 7 The Director of Childrens Safeguarding left on 31/05/2020, the full year equivalent for this post is £105,894. This position was left vacant for the remainder of the financial year and covered by an agency worker (From the start of the financial year to allow hand over). The Agency costs paid were £271,931.46
- 8 The Director of Education left the position on 24/11/2020 and the position was vacant for the remainder of the financial year. The full year equivalent for 2020/21 is £113,846

\* This note has been restated to include the names of those whose total Pay (or full year equivalent) was in excess of £150,000.

2021/22

	Salary, Fees and Allowances	Compensation for loss of Office	Other Taxable Benefits	Employer's Pension Contributions	Total
	£	£	£	£	£
Chief Executive Mr P Bungard (1)	143,529	-	-	-	<b>143,529</b>
Commissioning Director (2)	46,311	-	-	11,115	<b>57,426</b>
Chief Fire Officer (3) - Mr W. Bowcock	37,811	-	-	7,067	<b>44,878</b>
Executive Director: Economy, Environment & Infrastructure - Mr C. Chick	142,887	-	-	29,006	<b>171,893</b>
Director of Transport and Highways (4)	6,577	-	-	1,335	<b>7,912</b>
Executive Director: Adults Social Care and Public Health - S. Scott	136,698	-	-	27,750	<b>164,448</b>
Director of Adults Social Care (5)	97,860	-	-	19,866	<b>117,726</b>
Deputy Director of Public Health	94,398	-	-	13,574	<b>107,972</b>
Director of Integration (6)	58,685	-	-	8,427	<b>67,112</b>
Executive Director: Children's Services	147,987	-	-	-	<b>147,987</b>
Director of Children's Safeguarding (7)	16,449	-	-	3,339	<b>19,788</b>
Director of Children's Partnerships	108,250	-	-	21,975	<b>130,225</b>
Director of Education (8)	63,437	-	-	12,878	<b>76,315</b>
Deputy Chief Executive and Executive director of Corporate Resources (9) - Mr S. Mawson	142,887	-	-	29,006	<b>171,893</b>
Director of Finance (10)	99,229	-	-	20,144	<b>119,373</b>
Director of Digital and People	104,788	-	-	21,272	<b>126,060</b>
Director of Strategic Planning, Performance & Change and Monitoring Officer	101,322	-	-	20,568	<b>121,890</b>
	<b>1,549,105</b>	-	-	<b>247,322</b>	<b>1,796,427</b>

- 1 The Chief Executive works 29.6 hours per week, the full time equivalent for this post is £179,411
- 2 The Commissioning Director is an employee of Gloucester City Council and Gloucestershire County Council is liable for half of the costs associated with this role. The Commissioning director contract ended in December, and was not extended or replaced. The full year equivalent for this post is £76,568
- 3 The Chief Fire Officer left the organisation on 05/06/2021, the full year equivalent for this role is £174,777. The Deputy Chief Fire officer acted up into this role for the rest of the year, and received £13,274 for this period which is included in the total above.
- 4 The Director of Transport and Highways is a new role, starting on 07/03/2022. The full year equivalent for this post is £115,510.
- 5 The Director of Adults Social Care left council employment on the 05/05/2022, and an interim with the title Director of Adult Social Care operations started on 07/03/2022 to allow a handover period. This interim cost £17,385 for the period.
- 6 The Director of Integration is an employee of Gloucestershire Clinical Group and Gloucestershire County Council is liable for half of the costs associated with this role.
- 7 The Director of Childrens safeguarding started on 31/01/2022, the full year equivalent for this post is £120,377. From 01/03/2021 - 30/01/2022 this post was covered by Agency, costing £202,314.
- 8 The Director of Education post was vacant from 01/03/2021 - 30/08/2021, the full year equivalent for this post is £130,825.
- 9 This post was previously the Executive Director of Corporate Resources, role changed on the 06/12/2022.
- 10 The Director of Finance has taken a 6 month unpaid sabbatical starting 01/03/2022, the full year equivalent for this post is £130,225. This is being covered by an interim Director of Finance who started 01/03/2022, this cost £28,200 (Including 7 days hand over in February 2022)

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

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

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

The table reflects the total remuneration, including compensation for loss of office (redundancy), received by employees as at 31<sup>st</sup> March 2022, not just an employee's gross salary.

Remuneration band	Total Number of Employees			
	2020/21		2021/22	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	66	86	63	79
£55,000 - £59,999	49	40	56	29
£60,000 - £64,999	35	19	41	39
£65,000 - £69,999	21	15	14	16
£70,000 - £74,999	12	14	19	19
£75,000 - £79,999	6	2	11	5
£80,000 - £84,999	1	5	1	4
£85,000 - £89,999	2	-	2	1
£90,000 - £94,999	-	1	1	2
£95,000 - £99,999	-	5	-	2
£100,000 - £104,999	2	1	-	2
£105,000 - £109,999	-	2	-	1
£110,000 - £114,999	-	2	-	1
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	-	-	-	-
£125,000 - £129,999	-	-	1	-
£130,000 - £134,999	-	1	-	1
£135,000 - £139,999	-	2	-	1
£140,000 - £144,999	-	2	-	3
£145,000 - £149,999	-	2	-	2
£150,000 - £154,999	-	-	-	-
£155,000 - £159,999	-	-	-	-
£160,000 - £164,999	-	-	-	-
£165,000 - £169,999	-	-	-	-
£170,000 - £174,999	-	-	-	-
£175,000 - £179,999	-	-	-	-
£180,000 - £184,999	-	-	-	-
£185,000 - £189,999	-	-	-	-
£190,000 - £194,999	-	-	-	-
£195,000 - £199,999	-	-	-	-
£200,000 - £204,999	-	-	-	-
£205,000 - £209,999	-	-	-	-
£210,000 - £214,999	-	-	-	-
£215,000 - £219,999	-	-	-	-
£220,000 - £224,999	-	1	-	-
£225,000 - £229,999	-	-	-	-
£230,000 - £234,999	-	-	-	-
£235,000 - £239,999	-	-	-	-
£240,000 - £244,999	-	-	-	-
£245,000 - £249,999	-	-	-	-
<b>Total</b>	<b>194</b>	<b>200</b>	<b>209</b>	<b>207</b>

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below:

**2020/21 (Restated\*)**

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000	12	46	58	<b>382,673</b>
£20,001 - £40,000	1	4	5	<b>162,837</b>
£40,001 - £60,000	-	3	3	<b>151,067</b>
£60,001 - £80,000	2	1	3	<b>229,798</b>
£80,001 - £100,000	-	1	1	<b>90,016</b>
£100,001 - £150,000	-	1	1	<b>102,085</b>
£150,001 - £200,000	-	1	1	<b>194,437</b>
<b>Total</b>	<b>15</b>	<b>57</b>	<b>72</b>	<b>1,312,913</b>

\*This note has been restated to remove the accruals line which included four exit packages committed in 2020/2021 but not paid. These four exit packages have been included in the bandings. This is to ensure cost bands show all costs including accruals.

**2021/22**

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£0 - £20,000	25	52	77	<b>531,970</b>
£20,001 - £40,000	2	6	8	<b>203,184</b>
£40,001 - £60,000	1	1	2	<b>82,876</b>
£60,001 - £80,000	-	1	1	<b>63,439</b>
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	1	-	1	<b>114,611</b>
£150,001 - £200,000	-	-	-	-
<b>Total</b>	<b>29</b>	<b>60</b>	<b>89</b>	<b>996,080</b>

The total cost of £996,080 in the table above includes £113,827 for exit packages that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

**21. Members' Allowances**

The Council is required to report the total allowances paid during the year to Council Members. Full details of the allowances paid to each individual Councillor are published on the Council's website:

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

	2020/21 £'000	2021/22 £'000
Basic Allowances	546	561
Special Responsibility Allowances	304	305
Travel & Subsistence Allowances	8	6
<b>Total</b>	<b>858</b>	<b>872</b>

**22. External Audit Costs**

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

	2020/21 £'000	2021/22 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	75	81
Additional fees associated with external audit services	14	37
Fees payable for the certification of grant claims and returns for the year	4	5
Fees payable in respect of other services provided during the year as follows:-		
• Subscription/Licence for CFO Insights Analytical Benchmarking Software	10	10
• Fees associated with the Energy from Waste legal challenge	75	-
<b>Total</b>	<b>178</b>	<b>133</b>

**23. Disclosure of Deployment of Dedicated Schools Grant (DSG)**

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), 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 and Early Years (England) Regulations 2021. 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 2021/22 are as follows (reference to the former MHCLG has been retained for historical context):

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2021/22 before academy and high needs recoupe			523,379
Academy and high needs figure recouped for 2021/22			-236,325
Total DSG after academy and high needs recoupe for 2021/22			287,054
Plus: Brought forward from 2020/21			-
Less: Carry forward to 2022/23 agreed in advance			-
Agreed initial budgeted distribution for 21/22	95,680	191,374	287,054
In Year Adjustments	-112	-	-112
Final budget distribution for 2021/22	95,568	191,374	286,942
Less: Actual central expenditure	-100,719		-100,719
Less: Actual ISB deployed to schools		-191,374	-191,374
Plus: Local Authority contribution for 2021/22	-	-	-
In-year Deficit Carry Forward to 2022/23	-5,151	-	-5,151
Plus Carry-forward to 2022/23 agreed in advance			-
Carry-forward to 2022/23			-
DSG unusable reserve at the end of 2020/21			11,892
Addition to DSG unusable reserve at the end of 2021/22			5,151
Total of DSG unusable reserve at the end of 2021/22			<b>17,043</b>
<b>Net DSG position as end of 2021/22</b>			<b>-17,043</b>

## 24. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

### Credited to Taxation and Non Specific Grant Income

	2020/21 £'000	2021/22 £'000
National Non Domestic Rates Income	-77,819	-63,215
Non Service Related Grants	-95,226	-109,004
Fire Pensions Top Up Grant	-3,858	-3,983
<b>Total</b>	<b>-176,903</b>	<b>-176,202</b>

### Revenue Grants Credited to Services

	2020/21 £'000	2021/22 £'000
Department for Work & Pensions - Workstep Grant	-1,298	-3,425
Department for Children's Schools & Families Grants	-37,740	-26,978
Department for Education Grants - DSG	-267,782	-286,942
Department of Health Grants	-33,478	-22,433
Community & Local Government Grants	-13,092	-7,099
Youth Justice Board Grant	-564	-625
Young Peoples Learning Agency Grants	-1,378	-1,446
Other Grants	-10,469	-11,362
Skills Funding Agency	-2,874	-2,623
Department for Environment, Food & Rural Affairs	-559	-26
<b>Total</b>	<b>-369,234</b>	<b>-362,959</b>

	2020/21 £'000	2021/22 £'000
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Account	-105,997	-69,052

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

### Capital Grants Receipts in Advance

	2020/21 £'000	2021/22 £'000
Government Grants	-	-
Non Government Contributions for Capital purposes	-23,659	-44,906
Accountable body	-3,158	-8,712
<b>Total</b>	<b>-26,817</b>	<b>-53,618</b>

## 25. Related Parties

The Council is required to disclose material transactions with related parties, that is bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. Note 19 also provides more information on the Council's partnership working with other organisations including Gloucestershire Clinical Commissioning Group and Herefordshire 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 together with Grant receipts outstanding at 31st March 2022 are shown in Note 24.

In accordance with specific grant conditions, the Council confirms that it received a Big Lottery Fund and ESF Building Better Opportunities Grant totalling £487,834 in 2016/17. Total expenditure incurred against this grant totalled £27,401 in 2021/22 (Surplus income of £14,046 in 2020/21). The balance of £50,214 ( £77,614 2020-21) is included within the revenue grants receipts in advance section on the balance sheet. It is anticipated that these funds will be fully expended by the end of the project.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in Note 21. Details of all member interests are recorded in the Register of Members' Interest, open to public inspection at Shire Hall during office hours or on the Council website. In 2021/22 there was one transaction for £5,742 made to an interest of one of the Members of the Council.

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

The Gloucestershire Local Government Pension Scheme is a related party of Gloucestershire County Council due to the Council being the administering body of the scheme and by virtue of the Pension Committee including 8 Council Members out of the 9 Committee members. The Committee is supported by Council staff who may be subject to influence from Council Members. From the 2010/11 financial year the Pension Fund's "in-house" surplus cash balances have been held in the Pensions Fund's own bank account and in an instant access call account. The Council administers the Pension Fund's named accounts within its Treasury Management department. A total average balance of £27.76 million (£55.41 million in 2020/21) was held in the Pension Fund accounts for 2021/22 gaining interest of £0.007 million. (£0.054 million in 2020/21). The Council charged £2.30 million (£2.10 million in 2020/21) for administering the Pension Fund.

There is a contractual arrangement between the Council and Gloucestershire Care Partnership Limited (GCP) for the provision of places in care homes for older people, which involves sub-contracting its obligations to Order of St John Care Trust (OSJ) and Bedford Pilgrims Housing Association (BPHA).

The Council is entitled to appoint one independent trustee to the Board of GCP and under the Articles of Association the Council must always have less than 20% of the voting rights.

Current provision under the arrangement is managed under a commercial contract. Future development of care facilities is managed by an Estates Committee, comprising an equal number of representatives from each party.

In 2021/22 payments of £14.4 million (£12.5 million in 2020/21) were made to the Order of St John Care Trust in relation to this contract. £1.5 million was outstanding at the year end (£1.1 million in 2020/21).

## 26. Capital Expenditure and Capital Financing

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

	2020/21 £'000	2021/22 £'000
<b>Opening Capital Financing Requirement</b>	453,046	454,395
Property, Plant and Equipment	95,994	81,190
<u>Revenue Expenditure Funded from Capital under Statute</u>	18,602	38,823
<b>Total to Finance</b>	114,596	<b>120,013</b>
<b>Sources of finance</b>		
Capital Receipts	-17,751	-11,277
Capital Fund & other Earmarked Reserves	-2,890	-4,566
Government Grants and other Contributions	-79,863	-88,080
Borrowing	-12,252	-14,387
Direct Revenue Contributions	-4,325	-4,187
	-117,081	<b>-122,497</b>
Internal Borrowing	12,252	14,387
Minimum Revenue Provision (MRP)	-8,418	-8,745
<b>Total revenue provision</b>	3,834	<b>5,642</b>
<b>Closing Capital Financing Requirement</b>	<b>454,395</b>	<b>457,553</b>
<b>Explanation of movements in year</b>		
<u>Increase/decrease (-) in underlying need to borrowing</u>	64,551	3,158
<b>Increase/Decrease (-) in Capital Financing Requirement</b>	<b>64,551</b>	<b>3,158</b>

**Capital Expenditure 2021/22**

	£'000	%
<b>Adults</b>	5,854	4.9
<b>Children &amp; Families</b>	37,308	31.1
<b>Communities &amp; Infrastructure</b>		
Highways	62,269	52.0
Strategic Infrastructure	2,154	1.8
Waste Disposal	183	-
Libraries	338	0.3
<b>Community Safety</b>		
Fire and Rescue	586	0.5
<b>Corporate Services</b>		
Asset Management Property Services	6,987	5.8
ICT Projects	2,937	2.4
Archives & Information Management	21	-
Digital Innovation (Customer)	205	0.2
Business Service Centre	82	0.1
PFI/EfW Lifecycle	948	0.8
<b>Capital Receipts Expenditure</b>	<u>142</u>	0.1
	<b><u>120,014</u></b>	<b><u>100</u></b>

## 27. Leases

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

### Council as Lessee

#### Finance Leases

Other than those schemes undertaken through the Private Finance Initiative as reported in Note 28, there were no further finance leases identified by the Council during 2021/22.

#### Operating Leases

The Council has entered into operating leases to acquire the use of both property and vehicles. The future commitments due under non-cancellable leases in future years are:

	Expiry date of lease		
	Within 1 year	After 1 year but less than 5 years	After more than 5 years
	£'000	£'000	£'000
<b>2020/21</b>			
Property	507	978	1,504
Vehicles	260	30	-
<b>Total</b>	<b>767</b>	<b>1,008</b>	<b>1,504</b>
<b>2021/22</b>			
Property	499	1,277	1,754
Vehicles	113	31	-
<b>Total</b>	<b>612</b>	<b>1,308</b>	<b>1,754</b>

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

	2020/21 £'000	2021/22 £'000
Property	532	512
Vehicles	311	130
<b>Total</b>	<b>843</b>	<b>642</b>

## Council as Lessor

### Finance Leases (IAS 17)

The Council has looked at all leases (including those that terminated at 31st March 2022) where it is the lessor (landlord), to establish the correct classification under IFRS.

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

### Operating Leases

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

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

	Expiry date of lease		
	Within 1 year	After 1 year but less than 5 years	After more than 5 years
	£'000	£'000	£'000
<b>2020/21</b>			
Property	848	416	350
<b>Total</b>	<b>848</b>	<b>416</b>	<b>350</b>
<b>2021/22</b>			
Property	1,356	1,705	7,051
<b>Total</b>	<b>1,356</b>	<b>1,705</b>	<b>7,051</b>

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

	2020/21 £'000	2021/22 £'000
Property	1,440	1,968
<b>Total</b>	<b>1,440</b>	<b>1,968</b>

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

## 28. Private Finance Initiatives and Similar Contracts

### Fire Service Joint Training Centre PFI Scheme

2021/22 was the nineteenth year of a twenty-five year PFI contract for the design, build, financing and operation of a Joint Training facility in Avonmouth. The scheme is a joint PFI venture with Avon Fire Authority and Devon & Somerset Fire Authority whereby a significant proportion of the training required by the three services is provided at this facility.

### Property, Plant and Equipment

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

### Payments

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

Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2022 (excluding any estimation of inflation and availability/performance deductions) are as follows:

2020/21	2021/22			
	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
<b>776 Paid in 2020/21</b>	603	103	90	<b>796</b>
<b>Outstanding undischarged contract obligations:</b>				
796 Payable within one year	618	117	81	816
3,383 Payable within two to five years	2,654	608	205	3,467
1,819 Payable within six to ten years	723	182	16	921
<b>5,998 Total</b>	<b>3,995</b>	<b>907</b>	<b>302</b>	<b>5,204</b>

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:

	2020/21 £'000	2021/22 £'000
Balance outstanding at start of year	1,111	1,010
Payments during the year	-101	-103
<b>Balance outstanding at year-end</b>	<b>1,010</b>	<b>907</b>

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

	2020/21 £'000	2021/22 £'000
Opening Net Book Value	1,112	967
Depreciation	-138	-198
Revaluations	-12	547
Additions	5	12
<b>Balance</b>	<b>967</b>	<b>1,328</b>

### Fire Service Stations PFI Scheme

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

### Property, Plant and Equipment

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

### Payments

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

Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2022 (including an estimation of inflation and excluding estimations of availability/performance deductions) are as follows:

2020/21		2021/22			
		Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
<b>3,815</b>	<b>Paid in 2021/22</b>	1,942	489	1,480	<b>3,911</b>
<b>Outstanding undischarged contract obligations:</b>					
3,911	Payable within one year	1,833	738	1,437	4,008
16,644	Payable within two to five years	9,001	2,929	5,130	17,060
23,255	Payable within six to ten years	14,918	4,021	4,898	23,837
26,312	Payable within eleven to fifteen years	16,507	7,982	2,480	26,969
7,115	Payable within sixteen to twenty years	888	518	46	1,452
<b>77,237</b>	<b>Total</b>	<b>43,147</b>	<b>16,188</b>	<b>13,991</b>	<b>73,326</b>

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:

	2020/21 £'000	2021/22 £'000
Balance outstanding at start of year		17,353
Payments during the year	-676	-489
<b>Balance outstanding at year-end</b>	<b>16,677</b>	<b>16,188</b>

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

	2020/21 £'000	2021/22 £'000
Opening Net Book Value	25,545	28,619
Depreciation	-1,759	-1,758
Additions	39	286
Revaluations	4,794	7,244
<b>Closing Balance</b>	<b>28,619</b>	<b>34,391</b>

### Energy from Waste Facility

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

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

From October 2019 the facility became operational and at this point it is recognised on the Council's Balance Sheet. The contract period is for 25 years starting from the operational date with the option to extend by 5 years.

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

### Property, Plant and Equipment

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

### Payments

The Council makes an agreed payment each year based on the tonnage of waste processed which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year. Payments remaining to be made under the contract arrangements at 31<sup>st</sup> March 2022 (including an estimation of tonnage, inflation and excluding estimations of availability/performance deductions) are as follows:

		2021/22			
		Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
£'000					
<b>21,433 Paid in 2021/22</b>		<b>6,213</b>	<b>586</b>	<b>14,770</b>	<b>21,569</b>
<b>Outstanding undischarged contract obligations:</b>					
21,569	Payable within one year	6,808	612	14,387	21,807
65,743	Payable within two to five years	22,209	1,924	42,419	66,552
112,924	Payable within six to ten years	42,245	4,394	67,821	114,460
118,845	Payable within eleven to fifteen years	48,498	10,198	62,323	121,019
126,815	Payable within sixteen to twenty years	57,647	23,705	48,171	129,523
122,893	Payable within twenty one to twenty five years	42,200	37,964	17,025	97,189
<b>568,789</b>	<b>Total</b>	<b>219,607</b>	<b>78,797</b>	<b>252,146</b>	<b>550,550</b>

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:

	2020/21 £'000	2021/22 £'000
Balance outstanding at start of year	79,943	79,382
Balance outstanding at date of recognition	-	-
Payments during the year	-561	-586
<b>Balance outstanding at year-end</b>	<b>79,382</b>	<b>78,796</b>

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

	2020/21 £'000	2021/22 £'000
Balance outstanding at start of year	62,116	59,631
Balance outstanding at date of recognition	-	-
Amortisation	-2,485	-2,485
<b>Closing Balance</b>	<b>59,631</b>	<b>57,146</b>

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

	2020/21 £'000	2021/22 £'000
Opening Net Book Value at start of year	177,313	163,831
Opening Net Book Value at recognition	-	-
Depreciation	-6,741	-7,759
Additions	471	650
Revaluations	-7,212	31,471
<b>Closing Balance</b>	<b>163,831</b>	<b>188,193</b>

### Arrangements that contain a lease

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

## **29. Impairment Losses - Capital**

Adjustment for impairment has not been considered necessary in respect of decline in value due to obsolescence or physical damage, or a commitment by the Council to undertake a significant reorganisation or due to a significant adverse change in the statutory or other regulatory environment in which the Council operates.

## **30. Termination Benefits**

The Council terminated the contracts of a number of employees in 2021/22, incurring liabilities of £0.996 million (£1.313 million in 2020/21). Note 20 provides details of the number of exit packages and total cost per band.

## **31. Pensions Schemes Accounted for as Defined Contribution Schemes**

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

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

In 2021/22, the Council paid £21.41 million to the Teachers' Pensions Agency (TPA) in respect of teachers' retirement benefits, at 23.68% of pensionable pay from 1st April 2021 to the 31st March 2022. The figures for 2020/21, the Council paid £21.17 million, at 23.68% of pensionable pay from 1st April 2020 to 31st March 2021. There were no contributions remaining payable at year-end.

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

Under the new arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the PCTs to local authorities and who had access to the NHS Pension Scheme on 31<sup>st</sup> March 2013 retained access to that Scheme on transfer at 1<sup>st</sup> April 2013

The NHS pension scheme is an unfunded, defined benefit scheme and it is a multi-employer defined benefit scheme. In the NHS, the scheme is accounted for as if it were a defined contribution scheme. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

## 32. Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

The Council participates in several post employment schemes:

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

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

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

In 2020/21 the Council made an up-front payment of £10 million to the Local Government Pension Scheme towards the deficit contributions relating to 2020/21, 2021/22 and 2022/23. This was made following actuarial advice and discounted cashflow calculations indicated that the rate of return on this investment was beneficial and represented value for money for the Council.

The effect of the payment is a reduction in the net defined pension liability in the year of payment. As a result of this there is a difference between the value of the Pensions Reserve and the Pension Liability held on the Balance Sheet as per the following:-

	2021/22
	£m
<b>Balance on the Pensions Reserve</b>	<b>6.667</b>
2021/22 Payment	-3.333
<b>Balance on the Pension Liability</b>	<b>3.334</b>

### Transactions Relating to Post-employment Benefits

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

<b>Comprehensive Income and Expenditure Statement</b>	<b>Local Government Pension Scheme</b>		<b>Unfunded - Firefighters' Pension Scheme</b>	
	<b>2020/21</b> £'000	<b>2021/22</b> £'000	<b>2020/21</b> £'000	<b>2021/22</b> £'000
<b>Cost of Services:</b>				
<b>Service Cost Comprising:</b>				
Current service cost	52,218	<b>82,569</b>	3,500	<b>5,000</b>
Past service costs	126	<b>267</b>	-	-
Losses / Gains (-) on settlements	-1,706	<b>-1,034</b>	-	-
<b>Financing and Investment Income and Expenditure</b>				
Net interest on the defined pension liability	10,925	<b>12,841</b>	5,200	<b>5,600</b>
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>61,563</b>	<b>94,643</b>	<b>8,700</b>	<b>10,600</b>
<hr/>				
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>Local Government Pension Scheme</b>		<b>Unfunded - Firefighters' Pension Scheme</b>	
	<b>2020/21</b> £'000	<b>2021/22</b> £'000	<b>2020/21</b> £'000	<b>2021/22</b> £'000
<b>Remeasurement of the net defined benefit liability comprising:</b>				
Return on plan assets (excluding the amount charged in the net interest expense)	262,877	<b>67,839</b>	-	-
Actuarial gains and losses arising on changes in demographic assumptions	-24,245	<b>10,014</b>	-2,900	<b>2,800</b>
Actuarial gains and losses arising on changes in financial assumptions	-392,128	<b>132,133</b>	-52,900	<b>16,600</b>
Other experience	13,689	<b>-1,872</b>	4,700	<b>-1,300</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>-139,807</b>	<b>208,114</b>	<b>-51,100</b>	<b>18,100</b>

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-11,211	<b>-56,608</b>	2,500	<b>1,300</b>
	<b>-11,211</b>	<b>-56,608</b>	2,500	<b>1,300</b>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable for unfunded teachers scheme & LGPS benefits (discretionary)	51,340	<b>39,732</b>	5,800	<b>6,100</b>
Employers' contributions payable to scheme for unfunded LGPS benefits (Discretionary)	4,212	<b>3,903</b>	-	-
<b>Total employers contributions</b>	<b>55,552</b>	<b>43,635</b>	5,800	<b>6,100</b>
Firefighters pension and lump sum benefit payments			7,485	7,854
<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>				
The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:				
	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
Present value of the defined benefit obligation	-2,000,800	<b>-1,940,721</b>	-279,300	<b>-265,500</b>
Fair value of plan assets	1,376,841	<b>1,473,868</b>	-	-
Other movements in the liability (asset)	-		-	-
<b>Net liability arising from defined benefit obligation</b>	<b>-623,959</b>	<b>-466,853</b>	-279,300	<b>-265,500</b>

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

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
Opening fair value of scheme assets	1,077,014	<b>1,376,841</b>	-	-
Interest Income	24,887	<b>27,528</b>	-	-
Remeasurement Gain / Loss (-):			-	-
The return on plan assets, excluding the amount included in the net interest expense	262,877	<b>67,839</b>	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	55,552	<b>43,635</b>	-	-
Contributions from employees into the scheme	9,269	<b>9,703</b>	6,000	<b>6,300</b>
Benefits paid	-45,154	<b>-46,974</b>	1,100	<b>1,400</b>
Benefits paid for unfunded LGPS benefits (Discretionary)	-4,212	<b>-3,903</b>	-7,100	<b>-7,700</b>
Assets distributed on settlement	-3,392	<b>-801</b>	-	-
<b>Closing fair value of scheme assets</b>	<b>1,376,841</b>	<b>1,473,868</b>	-	-

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

	Funded liabilities:		Unfunded liabilities:	
	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
Opening balance at 1 <sup>st</sup> April	-1,555,155	<b>-2,000,800</b>	-225,500	<b>-279,300</b>
Current service cost	-52,218	<b>-82,569</b>	-3,500	<b>-5,000</b>
Interest cost	-35,812	<b>-40,369</b>	-5,200	<b>-5,600</b>
Contributions from scheme participants	-9,269	<b>-9,703</b>	-1,100	<b>-1,400</b>
Remeasurement Losses / Gains (-):				
Actuarial gains/losses arising from changes in demographic assumptions	-24,245	<b>10,014</b>	-2,900	<b>2,800</b>
Actuarial gains/losses arising from changes in financial assumptions	-392,128	<b>132,133</b>	-52,900	<b>16,600</b>
Other experience	13,689	<b>-1,872</b>	4,700	<b>-1,300</b>
Past service costs (Including curtailments)	-126	<b>-267</b>	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	45,154	<b>46,974</b>	7,100	<b>7,700</b>
Benefits paid for unfunded teachers scheme & LGPS benefits (Discretionary)	4,212	<b>3,903</b>	-	-
Liabilities extinguished on settlements, where relevant	5,098	<b>1,835</b>	-	-
<b>Closing balance at 31<sup>st</sup> March</b>	<b>-2,000,800</b>	<b>-1,940,721</b>	<b>-279,300</b>	<b>-265,500</b>

**Local Government Pension Scheme assets comprised:**

	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	TOTAL £'000	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	TOTAL £'000
Cash and cash equivalents	38,251	-	<b>38,251</b>	19,634	-	<b>19,634</b>
Equity Instruments	-	-	-	-	-	-
Bonds by Sector:						
Corporate (investment grade)	155,315	-	<b>155,315</b>	-	-	-
Corporate (non-investment grade)	3,429	-	<b>3,429</b>	-	-	-
UK Government	17,617	-	<b>17,617</b>	-	-	-
Other	5,281	-	<b>5,281</b>	-	-	-
Sub-total bonds	181,642	-	<b>181,642</b>	-	-	-
Real Estate:						
UK Property	66,659	20,502	<b>87,161</b>	61,364	42,761	<b>104,125</b>
Overseas Property		6,445	<b>6,445</b>	-	10,259	<b>10,259</b>
Sub-total real estate	66,659	26,947	<b>93,606</b>	61,364	53,020	<b>114,384</b>
Private equity:						
All	-	7,030	<b>7,030</b>	-	16,072	<b>16,072</b>
Investment Funds and Unit Trusts:						
Equities	-	913,578	<b>913,578</b>	-	1,002,282	<b>1,002,282</b>
Bonds	100,223	3,419	<b>103,642</b>	94,134	177,479	<b>271,613</b>
Infrastructure		7,002	<b>7,002</b>		14,838	<b>14,838</b>
Other		31,653	<b>31,653</b>		35,045	<b>35,045</b>
Sub-total investments funds and Unit Trusts	100,223	955,652	<b>1,055,875</b>	94,134	1,229,644	<b>1,323,778</b>
Derivatives:						
Forward foreign exchange contracts		-	<b>339</b>	-	-	-
Other	339	-	<b>339</b>	-	-	-
Sub-total derivatives	98	-	<b>98</b>	-	-	-
<b>Total Assets</b>	<b>387,212</b>	<b>989,629</b>	<b>1,376,841</b>	<b>175,132</b>	<b>1,298,736</b>	<b>1,473,868</b>
					<b>Fair Value of Scheme</b>	
					2020/21	<b>2021/22</b>
					£'000	£'000
Equity Instruments by Company size:-						
FTSE 100					-	-
FTSE 250					-	-
Pooled UK Smaller Companies					-	-
Sub-total equity instruments					-	-

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Firefighters' Pension Schemes liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1<sup>st</sup> April 2019. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	Unfunded liabilities: Firefighters' Pension Schemes		
	2020/21	2021/22	2020/21	2021/22
<b>Mortality assumptions:</b>				
Longevity (yrs) at 65 (60 for Fire) for current pensioners:				
Men	21.9	<b>21.7</b>	26.6	<b>26.3</b>
Women	24.3	<b>24.1</b>	28.9	<b>28.7</b>
Longevity (yrs) at 65 (60 for Fire) for future pensioners: (Figures assume members aged 45 as at 31.03.13 for the LGPS and as at 31.03.14 for Fire)				
Men	22.9	<b>22.6</b>	27.9	<b>27.7</b>
Women	26.0	<b>25.8</b>	30.3	<b>30.1</b>
Rate of Inflation	3.3%	<b>3.7%</b>	3.3%	<b>3.7%</b>
Rate of increase in salaries	3.2%	<b>3.5%</b>	3.3%	<b>3.7%</b>
Rate of increase in pensions **	2.9%	<b>3.2%</b>	2.9%	<b>3.2%</b>
Rate for discounting scheme liabilities #	2.0%	<b>2.7%</b>	2.0%	<b>2.7%</b>

\*\* Pension increases are assumed to be 0.5% p.a. less than market derived RPI.

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

The basis of the annual IAS19 actuarial valuation is undertaken on an agreed roll forward methodology of the Council's share of assets and liabilities from the latest valuation date, which was 31<sup>st</sup> March 2019. This is then adjusted for as required for future investment returns and employee benefits accordingly. This generally accepted estimation technique could result in potential variations from actual fund levels of up to 2% or 3% per annum.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

**Sensitivity Analysis**

Change in assumptions at 31 March 2022	Approximate Increase %	Approximate monetary amount £'000
--	------------------------	-----------------------------------

**Local Government Pension Scheme - Increase to Employer Liability**

0.5% decrease in Real Discount Rate	10%	180,770
1 year increase in member life expectancy	4%	77,629
0.5% increase in the Salary Increase Rate	0%	13,920
0.5% increase in the Pension Increase Rate (CPI)	10%	165,565

**Fire Fighters Pension Scheme - Increase to Employer Liability**

0.5% decrease in Real Discount Rate	9%	24,651
1 year increase in member life expectancy	3%	7,928
0.5% increase in the Salary Increase Rate	0%	927
0.5% increase in the Pension Increase Rate (CPI)	8%	20,991

**Fire Fighters Pension Scheme - Increase to Projected Current Service Cost**

0.5% decrease in real Discount Rate	22%	911
1 year increase in member life expectancy	3%	124
0.5% increase in the Salary Increase Rate	0%	-
0.5% increase in the Pension Increase Rate (CPI)	10%	393

**Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at a constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. A triennial valuation was undertaken on 31 March 2019. The Public Service Pensions Act 2013 provided for scheme regulations to be made within a common framework to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants in relation to service after 31st March 2014 for the Local Government Pension Scheme or service after 31st March 2015 for other main existing public service pension schemes in England and Wales.

The Council expects to pay £36.5m in contributions to the LGPS scheme and £2.6m for the Fire scheme in 2022/23.

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

	Duration 2020/21	Duration 2021/22
LGPS	Duration as at previous formal valuation - 31.03.19	19.0
Fire	Updated duration effective as at previous formal valuation - 31.03.20	17.4
Fire - Injury	Updated duration effective as at previous formal valuation - 31.03.20	20.1

**33. Contingent Liabilities**

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

**Pension Guarantees**

The Council has guaranteed to cover the liabilities associated with the pensions of ex-employees following the transfers of council services to external bodies. These arrangements are monitored and assessed to ensure that any provision for possible liabilities are made. Following this assessment it is not considered to be necessary to include any costs associated with these guarantees within the 2021/22 accounts.

**Pyke Quarry, Oak Quarry and Fosse Cross**

Work by the Council has identified a contingent liability in respect of Pyke Quarry and Oak Quarry, restored landfill sites, and Fosse Cross, a closed landfill site. At the Pyke and Oak Quarry sites there are Household Recycling Centres. Should the Council vacate the sites they would have to be restored. At Fosse Cross the Council has a budget for maintenance of the site, and if this site were to be vacated restoration costs would be incurred. The work for restoration of the three sites is estimated to be £0.65 million.

**34. Nature and extent of risks arising from Financial Instruments**

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

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

- Credit risk – The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity risk – The possibility that the Council might not have the cash available to make contracted payments on time.
- Market risk – The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

**Credit Risk**

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £30m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government), and £50m in any group of funds under the same management. The Council also sets limits on investments in certain sectors and no more than £200m in total can be invested for a period longer than one year.

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

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity.

	31/03/2021		31/03/2022	
	Short Term £m	Long Term £m	Short Term £m	Long Term £m
Banks and Building Societies Rated A- or Higher	42.6	-	35.40	-
Unrated Local Authorities	112.5	60.2	90.30	35.00
Unrated Housing Associations	-	-	-	-
Covered Instruments	1.5	-	-	-
<b>Total</b>	<b>156.6</b>	<b>60.2</b>	<b>125.7</b>	<b>35.0</b>
Credit risk not applicable *:				
Money Market Funds	41.0	-	41.90	-
Cash Plus Money Market Funds	0.0		14.80	
Pooled Funds	0.6	72.4	0.80	98.40
<b>Total</b>	<b>198.2</b>	<b>132.6</b>	<b>183.2</b>	<b>133.4</b>

\* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies multiplied by 67% to adjust for current and forecast economic conditions multiplied by 67% to adjust for current and forecast economic conditions. A delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2022, £0.008m (2021: £0.019m) of loss allowances related to treasury investments. No adjustments have been made for this loss allowance as it is immaterial.

The Council's debtors, including any payments in advance made by the Council totalled £82.205 million as at 31st March 2022, represent a customer base with the potential for risk exposure to non-recovery of the debt. However a large proportion of the total debt relates to Government bodies and other debts which are not considered to be a risk. Therefore, in practice, the calculation of the risk exposure (bad debt provision) is confined to debtor invoices raised that are then subjected to recovery procedures. At 31st March 2022 these debts totalled £10.930 million.

Generally the recovery process commences when an invoice is 14 days overdue, with a reminder automatically being sent. The following provides an aged-debt

	2020/21 £'000	2021/22 £'000
Less than a month	-	-
One to three months	3,922	2,937
Three to six months	1,795	1,702
More than six months	5,164	6,291
<b>Total</b>	<b>10,881</b>	<b>10,930</b>

**Liquidity Risk**

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

	2020/21	2021/22	
	Liabilities £'000	Assets £'000	Liabilities £'000
	Assets £'000	Assets £'000	
Less than one year	50,642	197,649	42,192
Between one and two years	6,900	132,668	8,000
Between two and five years	14,500	-	6,500
Between five and ten years	28,000	-	30,000
Between ten and twenty years	35,536	-	38,968
Between twenty and thirty years	68,692	-	88,260
Between thirty and forty years	60,000	-	35,000
Finance Lease Liability	97,070	-	95,893
	361,340	330,317	344,813
			<b>316,700</b>

The Council has £33.05 million (2020/21: £35.05 million) of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain, however as all these loans are under a six monthly call they are included in the "less than one year" category.

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

**Market Risk****Interest Rate Risk**

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

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

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

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

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

According to this assessment strategy, at 31<sup>st</sup> March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	606
Impact on Surplus or Deficit on the Provision of Services	<b>606</b>

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

**Price Risk**

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum principal exposure to property investments of £30m. A 5% fall in commercial property prices at 31st March 2022 would result in a £2.1 million (2021: £1.5 million) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

The Council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure in pooled funds of £150m. A 5% fall in share prices at 31st March 2022 would result in a £1.82m (2021: £1.07m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

The Council's investment in a real estate investment trust (REIT) is subject to the risk of falling residential property prices. This risk is limited by the Council's maximum exposure to REITs of £30m. A 5% fall in residential property prices at 31st March 2022 would result in a £0.290m (2021: £0.245m) charge to Other Comprehensive Income and Expenditure which would be reflected in the Financial Instruments Revaluation Reserve.

**Foreign Exchange Risk**

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

**35. Trust Funds**

At 31<sup>st</sup> March 2022 the Council administered 4 trust funds on behalf of the trustees. These funds do not represent assets of the Council and they have not been included in the Balance Sheet.

	Balance at 31 <sup>st</sup> March 2021	Income	Expenditure	Balance at 31 <sup>st</sup> March 2022
	£	£	£	£
<b>Libraries</b>				
2 trusts providing books for libraries	2,802	191	-189	<b>2,804</b>
<b>Gloucestershire Heritage Trust Ltd</b>				
Preserves and renovates specific buildings and areas which are of historic interest	7,004	-	-	<b>7,004</b>
<b>Gloucestershire War Relief</b>				
The awarding of grants relating to service in the Great War	411	-	-	<b>411</b>
<b>Total</b>	<b>10,217</b>	<b>191</b>	<b>-189</b>	<b>10,219</b>

### 36. Insurance

The Council arranges external insurance subject to the following excess levels: public / employer's / official's indemnity liability policies, £0.375 million.

Property Risks (Fire / lightning / explosion / earthquake / riot / civil commotion / storm / floods and escape of water damage) to all Council Properties £0.100 million excess and own accident damage to GCC vehicles £0.20 million excess. This effectively means that all but the very largest claims are self-insured.

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

### 37. Deferred Liabilities

The amount of deferred liabilities recorded by the Council are as follows:-

Deferred Liabilities	2020/21 £'000	2021/22 £'000
PFI Joint Fire Training Centre- Amounts held with the inqualisation fund on behalf of Avon Fire Authority and Devon & Somerset Fire Authority	2,035	1,860
Energy from Waste Contract- Deferred third party income	59,631	57,147
<b>Total</b>	<b>61,666</b>	<b>59,007</b>

### 38. Collection Fund Adjustment Account

Within Gloucestershire, precept collection of council tax and non-domestic rates for the Council is managed by the District Councils. Regulations require the Council to account for precept collection on an accruals basis. The Council is therefore required to include its share of any collection balances within the formal Statement of Accounts.

The following statement outlines the balances held as at 31<sup>st</sup> March 2021:

	Arrears after Impairment Allowance for Doubtful/Bad Debt (Debtors) £'000	Overpayments and Prepayments (Creditors) £'000	Collection Fund Surplus (-) /Deficit £'000	Cash (shown as Debtor or Creditor) £'000
Council Tax Collection	13,938	-5,132	2,921	-11,727
Non-Domestic Rates Collection	1,297	-3,251	13,492	-11,538
<b>Total</b>	<b>15,235</b>	<b>-8,383</b>	<b>16,413</b>	<b>-23,265</b>

The following statement outlines the balances held as at 31<sup>st</sup> March 2022:

	Arrears after Impairment Allowance for Doubtful/Bad Debt (Debtors) £'000	Overpayments and Prepayments (Creditors) £'000	Collection Fund Surplus (-) /Deficit £'000	Cash (shown as Debtor or Creditor) £'000
Council Tax Collection	17,893	-6,467	-1,415	-10,011
Non-Domestic Rates Collection	1,355	-3,594	7,448	-5,209
<b>Total</b>	<b>19,248</b>	<b>-10,061</b>	<b>6,033</b>	<b>-15,220</b>

### 39. Gain/Loss on the Disposal of Non Current Assets

The reported gain/loss reported on the Comprehensive Income and Expenditure Statement includes the loss of £3.321 million following the transfer of two schools to academy status during 2021/22. Seven schools converted to Academy status in 2020/21 totalling £18.497 million.

## 40. Revenue from Contracts with Service Recipients

Following a review of fees & charges Income summarised in note 4, with the adoption of IFRS 15, the Council has identified material contractual arrangements in relation to Adult Social Care provision under deferred payments (where care users use the value of their home to help pay care home costs) and client contributions (based on an assessment of how much care users must contribute towards the cost of their care).

The following amounts were recognised as income within the Comprehensive Income and Expenditure Statement for these contracts:

	2020/21 £'000	2021/22 £'000
Client Contributions	-27,703	-30,012
Deferred Payments	-1,589	-2,018
<b>Total Income</b>	<b>-29,292</b>	<b>-32,030</b>

There were no material arrangements identified with performance obligations, so the income has been recognised on the date the Council provided the goods or services for all contracts with service recipients. Further details of the income received by the Council through other contract arrangements are included within the fees, charges and other services income line within Note 18, Expenditure and Income Analysed by Nature.

The following amounts were included as debtors in the balance sheet for adult social care contracts with service recipients:

	2020/21 £'000	2021/22 £'000
Client Contributions	1,159	1,741
Deferred Payments	6,387	6,043
<b>Total Income</b>	<b>7,546</b>	<b>7,784</b>

## **41. Statement of Accounting Policies**

### **Introduction**

Accounting policies are the principles, bases, conventions, rules and practices applied by the Council. They specify how the financial effects of transactions and other events are reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. All of the accounting policies adopted, that are material in the context of the Council's 2021/22 financial statements, are described below.

### **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end on 31<sup>st</sup> March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom 2021/22 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 2015. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. These accounts are prepared on a going concern basis.

### **Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. The bases of recognition are as follows:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- When revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Exceptionally, in some cases actual payments are brought into account as they arise rather than being strictly apportioned between financial years e.g. electricity and gas charges. The effect on the income and expenditure account is not material.
- Non cheque book schools are accounted for on a cash basis.

### **Prior Period Adjustments, changes in accounting policies and estimates and errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct material error. Changes in accounting estimates are accounted for prospectively, i.e. in the

current and future years affected by the change and do not give rise to a prior period adjustment.

Change in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **Basis for Redemption of Debt**

The Council has historic debt from financing a proportion of its capital investment through raising loans. In accordance with statutory requirements the Comprehensive Income and Expenditure Statement has been charged with an amount that is sufficient to redeem a specified statutory percentage of outstanding debt. The statutory figure is called the Minimum Revenue Provision (MRP). The Council charges a fixed amount per annum, following a review of the methodology, for the repayment of debt.

### **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that are readily converted to known amounts of cash within a short timescale, are subject to insignificant risk of changes in value 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, however, those held for strategic purposes are treated as long term investments to reflect the Council's policy of holding them for a minimum of five years.

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

### **Charges to Revenue for Non-Current Assets**

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

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

The Council is not allowed to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP 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.

### **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 its control. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within its 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.

### **Council Tax and Non Domestic Rates (NDR)**

The district councils in Gloucestershire are acting as agents of the County Council in collecting council tax and business rates. The cash collected from council tax payers and business rates payers belongs proportionately to the district councils and the major preceptors. There is therefore a debtor/creditor position between each district council and the County Council to recognise that the net cash paid to the County Council in the year is not the same as its share of cash collected. The Council recognises its share of council tax and business rates debtor and creditor balances, impairment allowances for doubtful debts and provisions for losses on appeal in its Balance Sheet. The Cash Flow Statement of the Council includes the net council tax and business rates cash received from the Collection Fund in the year.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### **Events after the Balance Sheet Date**

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

An adjustment will be made for events after the balance sheet date that provides evidence of the conditions that existed at the balance sheet date. An adjustment will not be made for events that occurred after the balance sheet date that is indicative of conditions that arose after the balance sheet date. However, if the non-adjusting event would have a material effect, disclosure will be made in the notes to the accounts describing the nature of the event and the estimated financial effect.

## **Employee Benefits**

### **Benefits Payable during Employment**

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

### **Termination Benefits**

Termination Benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These payments are charged on an accrual basis to the relevant directorate in the Cost of Services at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post Employment Benefits**

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

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

- The Local Government Pensions Scheme.
- The Firefighter's Pensions Scheme.
- The New Firefighter's Pension Scheme.
- The Modified Firefighters Pension Scheme.
- The Firefighters Pension Scheme 2015.
- The Teachers' Pension Scheme.
- The NHS Pension Scheme for employees that have transferred in respect of Public Health.

### Local Government Pension Scheme

The Gloucestershire Local Government Pension Scheme for civilian employees is administered by the Council. The assets of the scheme are separately held in a Committee Administered Fund with the Council acting as trustees. It is a statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 2013, as amended and a separate annual audit is carried out by the appointed external auditors.

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefits scheme hence:

- The liabilities of the LGPS attributable to the Council are included in the balance sheet on an actuarial basis, using the projected unit method, ie: an assessment of future payments that will be made in relation to retirement benefits earned to date by employees, based on assumption about mortality rates, employee turnover rates, etc. and projected earnings of employees.
- Liabilities are discounted to their value at current prices, using a discount rate that is based upon indicative rate of return on a high rated corporate bond equivalent to the Scheme's liabilities.
- The Assets of the LGPS attributable to the Council are included in the balance sheet at their fair value.
- The Change in net pensions liability is analysed into the following components:-
  - Service Costs comprising:-
    - Current Service Cost – the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years is debited to the Surplus or Deficit on the provision of Services in the Comprehensive Income and Expenditure Statement.
    - Net Interest on the net defined benefit liability (asset), i.e. net increase expense for the Council – the change during the period in the net defined benefit liability (asset) arises from the passage of the time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Remeasurements comprising:-
    - The return on plan assets – excluding amounts included in the net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Gloucestershire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to the pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove notional debits and credits for retirement benefits and replace them with debits for cash paid to the Pension Fund and Pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

#### *Discretionary Benefits*

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise because of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### *Firefighter's Pension Schemes*

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

#### *Teachers Pension Scheme*

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

#### *NHS Pension Scheme*

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

#### *Exceptional Items*

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

## **Financial Instruments**

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments. The term financial instrument covers both financial assets and liabilities.

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

## **Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Regulations allow the impact on the General Fund balance of premiums and discounts from the restructure of debt, 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 CIES 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**

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

All of the Council's Strategic Pooled Funds are considered to be long term investments as the Council intends to hold these instruments for a minimum of five years.

#### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

#### Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost where material, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

#### Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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 CIES.

### Financial Assets Measured at fair value through other comprehensive income (FVOCI)

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

The Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by IFRS 9:

- Fundamentum Real Estate Investment Trust

### Foreign Currency Translation

The Council does not generally deal in transactions denominated in a foreign currency but when transactions do take place in foreign currency they are converted into sterling at the exchange rate applicable when the transaction took place. Any assets or liabilities held in foreign denominations at the balance sheet date are reconverted at the spot rate applicable at the balance sheet date. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the CIES.

### Government Grants and Contributions

Revenue grants received are credited to the Comprehensive Income and Expenditure Statement and are accounted for on an accruals basis when the conditions for their receipt have been met, and there is reasonable assurance that the grant or contribution will be received. Specific grants are credited to the Cost of Services, whilst grants received to cover general expenditure are credited to the Taxation and Investment Income line of the Comprehensive Income and Expenditure Statement.

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

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

### Intangible Assets

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

## **Inventories and Work in Progress**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on goods or services transferred to the service recipient during the financial year.

Certain stocks have not been valued (e.g. office stationery).

## **Jointly Controlled Operations and Jointly Controlled Assets**

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

## **Better Care Fund & Pooled Budget Arrangements**

There is a Section 75 joint agreement relating to the commissioning of health and social care services in Gloucestershire, which includes The Better Care Fund. It is a joint budget arrangement between the Council, and the Gloucestershire Clinical Commissioning Group. Within the Section 75 agreement there are budgets controlled by the Clinical Commissioning Group, budgets controlled by the Council, pooled budgets (jointly controlled) and aligned budgets.

Where services are controlled by the County Council the income and expenditure is reflected within the Net Cost of Services in the Comprehensive Income and Expenditure Statement. This also includes the Council's proportion of jointly controlled budgets. Where services are hosted by the Council, but controlled by the Clinical Commissioning Groups, the income and expenditure is not reflected in the Council's accounts.

## **Leases**

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

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

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

Lease payments are apportioned between:

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

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

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

#### Finance Leases - The Council as Lessor

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

#### Operating Leases - The Council as Lessee

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

#### Operating Leases - The Council as Lessor

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

#### Property, Plant and Equipment (PPE)

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

#### Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured

reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

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

Revaluation of all the Council's PPE is undertaken using a two-year rolling programme with any material changes to asset valuations being adjusted in the interim periods.

Of the £984m Land & Building assets at the 31st March 2022, £794m were formally valued during 2021/22.

Valuations are co-ordinated internally by the Council's Valuation Service Team, with valuations carried out through a combination of the Council's internal valuers and, where necessary, external valuers (RICS qualified). The Valuation Service Team ensures all valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Non operational PPE, classified as surplus assets, are now measured at fair value estimated at highest and best use from a market participant's perspective, in accordance with the Code, following the adoption of IFRS 13.

When asset values rise above the amount at acquisition, we add the difference to the Revaluation Reserve. When asset values go down, the reduction is charged to any available Revaluation Reserve balance held for that asset, with the remainder being charged to the relevant service line in the CIES. This charge is then reversed out in the MIRS so that there is no impact on council tax.

### Impairment

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

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

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

### Depreciation and Amortisation

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

<i>Buildings</i>	Permanent Leased	Up to 100 years Period of lease
<i>Infrastructure</i>	Roads and street lighting Bridges Footpaths and footbridges Vehicles, plant, furniture, and equipment	18 - 25 years 120 years 25 years 3 - 20 years

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

Purchased software licences	Up to 20 Years
Internally developed software	Up to 10 Years

Depreciation is calculated on the following basis:

- Assets which are bought from a third party are depreciated for a full year in the year after the year of purchase. All other assets created as a result of capital expenditure during the year are depreciated for a full year in the year after the year of purchase on the following basis: -
- Land is not depreciated.
- Heritage Assets are not depreciated.
- Assets under construction, being capital works in progress where the uncompleted asset does not have a material benefit to the Council, are not depreciated.
- Following a review of Componentisation, the following amended policy will apply from 2021-22 onwards:- Where an item of PPE has major components, whose cost is significant in relation to the total cost of the item the components are depreciated separately. All assets over £1m are considered for componentisation. If on consideration a component is assessed to have a substantially different economic useful life and to be greater than 25% of the total cost of the asset, it is componentised, and depreciated separately. The basis for depreciation for any componentised asset is assessed on an individual basis and applied accordingly over the life of the asset. Components that are individually less than 25% of the total cost of the asset are not treated as separate components for accounting purposes.
- Revaluation gains are depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.
- Surplus Assets, held for disposal (up to 99 years) are not depreciated.

### Infrastructure Assets recognition and measurement

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably

Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undisbursed for sums borrowed as at 1 April [1994 England and Scotland], [1996 Wales] which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

### Infrastructure Assets disposals and derecognition

When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. 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 (ie netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are 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 transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

### Accounting for Schools

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

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

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

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

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

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

Rentals payable under operating leases are charged directly to the Comprehensive Income and Expenditure Account (CIES).

#### Academies and Free Schools

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

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

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

#### Maintained Schools

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

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

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

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

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

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

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

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

The local authority (in so far as their powers enable them to do so) have a duty to contribute towards the spiritual, moral, mental and physical development of the community by securing that efficient primary education, secondary education and further education are available to meet the needs of their area.

The local authority also has the right to remove delegated powers from a maintained school where it is deemed necessary due to mismanagement, or to safeguard the pupils.

The above examples clearly show that all maintained schools contribute towards meeting the Council's service objectives and that the Council is involved in the control of those schools and they should therefore form part of our statement of accounts.

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

<b>2020-21 Number of Schools</b>	<b>Maintained Schools included in the Fixed Asset Register</b>	<b>2021-22 Number of Schools</b>
4	Alternative Provision Schools	3
86	Community Mainstream Schools	85
4	Community Special Schools	4
19	Foundation Schools	19
38	Voluntary Aided Schools	37
46	Voluntary Controlled Schools	45
<b>197</b>	<b>Total on Balance Sheet</b>	<b>193</b>

<b>2020-21 Number of Schools</b>	<b>Academies and Free Schools not included in the Fixed Asset Register</b>	<b>2021-22 Number of Schools</b>
23	Academies Sponsor Led	23
70	Academy Converters	71
1	University Technical College	1
3	Academy Special School Converters	3
3	Academy Special Schools Sponsor Led	3
1	Free Alternative Provision Schools	1
2	Free Schools	4
<b>103</b>	<b>Total off Balance Sheet</b>	<b>106</b>

<b>300</b>	<b>Total Maintained Schools, Academies and Free Schools</b>	<b>299</b>
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### Private Finance Initiative (PFI) scheme

PFI contracts are agreements to receive services, where responsibility for making available the Property Plant & Equipment (PPE) needed to provide the services passes to the PFI contractor. Where the Council is deemed to control the services ownership of the PPE will pass to the Council at the end of the contract. The Council carries the PPE used under the contracts on the Balance Sheet.

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

The amounts payable to the PFI operators each year are analysed into five elements, using appropriate estimation techniques where necessary:

- Payment for the fair value of services received, debited to the relevant service within the CIES,
- Payment for the finance cost, an interest charge on the outstanding balance sheet liability, debited to the financing and investment income and expenditure line in the CIES,
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES,

- d) payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease) and,
- e) lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

### **Provisions**

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

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

### **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 the control of the Council. Contingent liabilities also arise in circumstances 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.

### **Reserves**

In addition to its general revenue balances, the Council has maintained specific reserves for future expenditure and to protect against unexpected events. These are created by transferring amounts out of the general fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service and included within the reported surplus or deficit on the provision of services in the Comprehensive Income & Expenditure Statement. The reserve is then transferred back into the general fund balance, through the movement in reserves statement, so that there is no net charge against council tax for the expenditure.

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

## **Service Concessions**

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

## **VAT**

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

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

The Code requires consideration of the impact of standards that have been issued but not yet adopted. This is to enable users to evaluate the risk of these new standards on the Council's current financial position. Several standards have been issued but are not yet applied, and these are listed below.

- IFRS 16 Leases**

CIPFA/LASAAC has again deferred the implementation of IFRS 16 for Local Government until 1<sup>st</sup> April 2024, however local authorities have a choice to adopt this standard before this date. The accounting standard requires that where Local Authorities have lease arrangements where they are the lessee, to recognise these on their balance sheet as a right of use asset with corresponding lease liabilities. Exemption does exist for leases of small value and of short-term duration.

The Council has chosen not to adopt this standard in 2021-22 and are continuing to undertake a review to assess this further.

- Annual Improvements to IFRS Standards 2018–2020.**

The annual IFRS improvement programme notes 4 changed standards, none of which are expected to have a material impact on the Council's financial statements:-

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

- **Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)**

This amendment again is unlikely to impact on the Council's financial statements in a material manner.

### **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:

- The Council recognises school land and buildings for Community Schools, Voluntary Controlled, Voluntary Aided and Foundation Schools on its Balance Sheet, where it is probable that the future economic benefits or service flow to the Council, and costs can be measured reliably. The Council has not recognised assets relating to Academies, as it is of the opinion that these assets are not controlled by the Council. School assets are recognised as a disposal from the Council's Balance Sheet on the date on which a school converts to Academy status, not on the date of any related announcement, nor is any impairment recognised by the Council prior to conversion.
- Lender Option Borrower Option (LOBO) A LOBO is a type of loan instrument where borrowing is undertaken, initially at a fixed rate of interest. Periodically, at specific points, the lender has the option to alter the interest rate charged. Should the lender exercise the option to alter the interest rate, the borrower then has the option to continue with the loan instrument at the new rate or alternatively to terminate the agreement and pay back the sum borrowed with no other penalty. The Council currently have LOBO arrangements totalling £33.5 million and these provide the lender the option to amend the interest rates every 6 months. The Council has reviewed the classification of these arrangements and considered the current economic outlook, recent court rulings and the fact that a number of Banking institutions have amended their portfolio to remove such LOBO arrangements from their Balance Sheets. The Council therefore considers that sufficient doubt remains over the call of these options and to ensure sufficient liquidity is available, maintains that these loans should be classified as short-term loans within the financial statements.

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

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

- Useful life and valuations of properties, which are estimated by qualified valuers.
- Fair values of financial assets and liabilities, which are estimated by our treasury advisors.
- 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.

The items for which there is significant risk of material adjustment in the forthcoming financial year are as follows:-

- **Property, Plant and Equipment – (Funding Implications)**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances. A 20% increase in the annual depreciation charge for assets would currently equate to £5.19 million.

- **Pensions**

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Details of the effect of any such changes are provided within Note 32.

## Gloucestershire Pension Fund

Fund Account for the year ended 31<sup>st</sup> March 2022

2020/21	2021/22	Note
£'000	£'000	
<b>Contributions</b>		
-123,689 employer contributions	<b>-82,992</b>	N18
-20,110 member contributions	<b>-21,119</b>	N18
<b>-143,799</b>	<b>-104,111</b>	N7
<b>Transfers in from other pension funds</b>		
-5,883 individual transfers from other schemes or funds	<b>-6,928</b>	
- group transfers from other schemes or funds	<b>-</b>	
<b>-5,883</b>	<b>-6,928</b>	
<b>Other income</b>		
-94 recoveries for services provided	<b>-89</b>	N20
<b>Benefits</b>		
75,033 pensions	<b>77,261</b>	N30
11,358 commutation of pensions and lump sum retirement benefits	<b>13,328</b>	
1,908 lump sum death benefits	<b>1,647</b>	
<b>88,299</b>	<b>92,236</b>	N7
<b>Payments to and on account of leavers</b>		
227 refunds to members leaving scheme or fund	<b>335</b>	
-2 payments for members joining state scheme or fund	<b>-2</b>	
5,706 individual transfers to other schemes or funds	<b>6,867</b>	
- group transfers to other schemes or funds	<b>1,069</b>	
<b>5,931</b>	<b>8,269</b>	N28
<b>-55,546 Net (additions) / withdrawals from dealings with members</b>	<b>-10,623</b>	
<b>Management Expenses</b>		
<b>12,202</b>	<b>18,530</b>	N20
<b>-43,344 Net (additions) / withdrawals including fund management expenses</b>	<b>7,907</b>	
<b>Returns on investments</b>		
-23,888 Investment income	<b>-18,776</b>	N13
-43 Taxes on income	<b>-</b>	N3 & N13
-590,652 Profit(-) and losses on disposal of investments and changes in market value of investments	<b>-197,484</b>	N4
<b>-614,583 Net returns on investments</b>	<b>-216,260</b>	
<b>-657,927 NET INCREASE (-) / DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR</b>	<b>-208,353</b>	
<b>2,244,563 Opening net assets of the scheme</b>	<b>2,902,490</b>	
<b>2,902,490 Closing net assets of the scheme</b>	<b>3,110,843</b>	

## Gloucestershire Pension Fund

Net Assets Statement as at 31<sup>st</sup> March 2022

2020/21	2021/22	Note
£'000	£'000	
<b>Investment assets</b>		
360,751 Bonds	-	
2,257,529 Pooled investment vehicles	2,773,831	N10
202,134 Pooled property investments	246,138	
1,106 Derivative contracts	-	N2 & N15
4,856 Other investments - Venture Capital/Private Equity	3,853	
15,816 Cash held on behalf of the investment managers	75,988	N25
5,800 Other investment balances	1,129	
<b>2,847,992</b>	<b>3,100,939</b>	N12
<b>Long term investment assets</b>		
112 Brunel Pension Partnership Ltd.	71	
<b>112</b>	<b>71</b>	
<b>Investment liabilities</b>		
-813 Derivative contracts	-	N2 & N15
- Other investment balances	-	
<b>-813</b>	<b>-</b>	N12
<b>2,847,291 Total net investments</b>	<b>3,101,010</b>	
<b>Long term assets</b>		
308 Contributions due from employers	181	
<b>308</b>	<b>181</b>	N12 & N22
<b>Current assets</b>		
4,974 Contributions due from employers	5,256	
277 Other current assets	1,382	
275 Payments in advance	5	
50,668 Cash balances	4,495	N2, N21, N25
<b>56,194</b>	<b>11,138</b>	N12 & N22
<b>Current liabilities</b>		
-7 Unpaid benefits	-13	
-1,296 Other current liabilities	-1,473	
<b>-1,303</b>	<b>-1,486</b>	N12 & N23
<b>2,902,490 Net assets of the scheme available to fund benefits at the reporting period end</b>	<b>3,110,843</b>	N4, N5, N12 & N16

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

The actuarial present value of promised retirement benefits is disclosed at Note N24.

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

## Gloucestershire Pension Fund

### Notes to Pension Fund Accounts

#### N1. Introduction

The County Council is the administering body for the Gloucestershire Pension Fund which is a contributory defined benefit scheme. 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 detailed accounts of the Gloucestershire Pension Fund.

The Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme(Management and Investment of Funds) Regulations 2016 (as amended)

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

#### Membership Breakdown

Membership of the Local Government Pension Scheme is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Fire fighters, police and teachers have their own separate nationally administered schemes.

Membership details are set out below:

	31st March 2021	31st March 2022
Number of employers	204	217
<b>Number of employees in the scheme</b>		
County Council	10,074	9,762
Other employers	<u>9,148</u>	<u>9,158</u>
	19,222	18,920
<b>Number of pensioners</b>		
County Council	10,176	10,630
Other employers	<u>7,114</u>	<u>7,498</u>
	17,290	18,128
<b>Deferred pensioners</b>		
County Council	11,744	11,939
Other employers	<u>8,530</u>	<u>8,875</u>
	20,274	20,814
<b>Total number of members in pension scheme</b>	<hr/> 56,786	<hr/> 57,862

In addition, to the membership numbers above, there were 5,389 (5,110 2020/21) undecided or unprocessed leavers.

Undecided leavers are those members who are no longer accruing service and to whom a refund of contributions or transfer out may be due.

Unprocessed leavers are those members which represent cases where we are aware that a member has left, but that case has not yet been processed.

#### Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31st March 2019. When setting contribution rates the Actuary takes into account the funding target, the time horizon over which the funding target is to be achieved and the strength of the employer covenant; further information can be found within the Fund's Funding Strategy Statement. During 2021/22 employer contribution rates ranged from 0% to 36.5% of pensionable pay.

**Benefits**

Prior to 1st April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1st April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website - see [www.lgpsmember.org](http://www.lgpsmember.org).

**N2. Summary of significant accounting policies****Basis of preparation**

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year end as at 31st March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts summarise the transactions of the Fund and reports on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial value of promised retirement benefits, valued on an International Accounting Standard (IAS19) basis, is disclosed at Note 24 of these accounts. The accounts are prepared on a going concern basis.

**Critical judgements in applying accounting policies**

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The critical judgement is made by senior management of the Pension Fund, with advice from the Actuary, of the assumptions to be used in the Valuation but because they are assumptions, they could be a source of estimation uncertainty and are also covered in the following section. The Pension Fund Liability is subject to significant variances based on changes to the underlying assumptions and these have been summarised in Note N24.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end-date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. Income and expenditure have been accounted for on an accruals basis.

The items within the Financial Statements as at 31st March 2022, for which there is a significant risk of material adjustment in the forthcoming year, are highlighted below:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 24)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied	<p>The effects on the net pension liability of changes in the individual assumptions can be measured as follows:</p> <ul style="list-style-type: none"> <li>- A 0.1% decrease in the discount rate would increase the liability by £79m</li> <li>- A 0.1% increase in the pension increase rate would increase the liability by £72m</li> <li>- A 0.1% increase in the salary increase rate would increase the liability by £7m</li> <li>- A 1 year increase in member life expectancy would increase the liability by £160m</li> </ul>

Private Equity, Infrastructure and Private Debt  
Note 26

Private equity, Infrastructure and Private Debt are valued at fair value in accordance with International Private Equity and Venture Capital Valuation guidelines. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Those investments where at least one input that could have a significant effect on the valuation is not based on observable market data is classed at level 3 in the Fair Value Hierarchy.

Private Equity, Infrastructure and Private Debt investments classed as level 3 total £178.274m. The Fund has determined that the valuation methods used are likely to be accurate to within the ranges set out in the Sensitivity of Assets valued at Level 3 table within Note 26. This table also sets out the consequent potential impact on the closing value of investments held at 31st March 2022.

Private Equity, Infrastructure and Private Debt	<p>Due to the normal delay in receiving quarterly valuation statements for some of the underlying funds, investments in Private Equity, Infrastructure and Private Debt funds totalling £151.5m have a valuation date earlier than 31st March 2022 and may be different when the 31st March prices are known. The percentages used in the next column highlight the volatility that might occur.</p>	<p>The total value of Private Equity, Infrastructure and Private Debt investments in the financial statements as at 31st March 2022 was £174.421m. A change in market price of those holdings with a valuation date prior to the 31st March 2022 would equate to a potential movement of</p> <ul style="list-style-type: none"> <li>- Private Equity &amp; Infrastructure £30.4m, 31.2%</li> <li>- Private Debt £4.9m, 9.0%</li> </ul> <p>There is a risk that these investments may be under or overstated in the accounts, see Note 26.</p>
Pooled Property Funds Note 26	<p>Pooled Property Funds are valued in accordance with Royal Institution of Chartered Surveyors standards and fair value processes driven by International Private Equity and Venture Capital Valuation guidelines. Some Property Pooled Funds are not publicly listed or have redemption restrictions and as such there is a degree of estimation involved in the valuation.</p>	<p>Those investments where at least one input that could have a significant effect on the valuation is not based on observable market data is classed at level 3 in the Fair Value Hierarchy.</p> <p>Pooled Property Funds classed as level 3 total £24.456m. The Fund has determined that the valuation methods used are likely to be accurate to within the ranges set out in the Sensitivity of Assets valued at Level 3 table within Note 26. This table also sets out the consequent potential impact on the closing value of investments held at 31st March 2022.</p>
Pooled Property Funds	<p>Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. Managers either apply open market values or a fair value process, open market values are in accordance with RICS valuation standards and fair value processes are driven by International Private Equity and Venture Capital Valuation guidelines.</p> <p>Due to the normal delay in receiving quarterly valuation statements for the underlying funds, investments in Pooled Property Funds totalling £66.9m have a valuation date earlier than 31st March 2022.</p>	<p>The total value of Pooled Property Funds in the financial statements as at 31st March 2022 was £246.138m. A change in market price of those holdings with a valuation date prior to the 31st March 2022 would equate to a potential movement of £10.0m, 15.0%.</p> <p>There is a risk that these investments may be under or overstated in the accounts, see Note 26.</p>

**Revenue and expense recognition**

**Contribution income**

Contributions have been accounted for on an accruals basis where amounts due have been determined in time for inclusion in the accounts. Additional employer's contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Employer deficit contribution lump sum payments are accounted for in the year the payment is made. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

**Benefits payable and refunds of contributions**

Benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid claims approved during the year.

**Transfers to and from other schemes**

Individual transfer values are accounted for when they are paid or received. Bulk transfer value calculations are made towards the end of the bulk transfer process and based on payment being made on a specific day. Bulk transfer values are accrued when the value has been determined.

**Management expenses**

Pension Fund expenses have been accounted for in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*. A more detailed breakdown of management expenses can be found in Note N20.

**a) Investment management expenses**

Investment Management Expenses comprise of expenses which are incurred in relation to the management of pension fund assets. Broadly, these are based on the market value of the investments in the investment manager's portfolio and therefore increase or reduce as the value of these investments change. Where an investment manager's fee has not been received by the reporting period end date, an estimate based upon the market value of the mandate at the end of the reporting period has been used. Where fees are netted off investment market values by investment managers, these expenses are grossed up to increase the change in value of investments.

Federated Hermes deducts its fees from a combination of assets held and income distributions and is included within Investment Management Expenses. Technology Venture Partners (TVP) and Yorkshire Fund Managers Ltd. (YFM) deduct their fees from the value of the assets under their management. Fees for TVP and YFM have not been included as they are the legal responsibility of the managers and not the Fund. Management costs for Arcmont are deducted from distributions. Brunel's investment managers and Golub deduct their fees from the value of the pooled funds under their management. The investment manager for Brunel's passive global equity pooled funds encashes units to cover their fees and all these fees have also been included within Investment Management Expenses.

**b) Acquisition and transaction costs of investments**

Acquisition costs of investments (e.g. stamp duty) and transaction costs are included within Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments. In addition to the transaction costs disclosed, indirect costs are incurred through the bid/offer spread on investments within pooled investment vehicles. A more detailed breakdown of management expenses, including transaction costs, can be found in Note N20.

**c) Administration expenses**

All administrative expenses are accounted for on an accrual basis. All staff costs associated with administration is charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. Further information on administrative expenses can be found in Note N20.

**d) Oversight & governance expenses**

All Oversight and Governance expenses are accounted for on an accrual basis. All staff costs associated with Oversight and Governance is charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of investment advice from external consultants is included in Oversight & Governance. Further information on Oversight and Governance expenses can be found in Note N20.

#### **Investment Income**

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

#### **Cash and cash equivalents**

Cash comprises cash in hand (bank) and demand deposits (money market funds) which also includes amounts held by the Fund's custodian on behalf of its investment managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Cash balances held in accordance with the County Councils' Treasury Management Strategy and those held with the Fund's custodian, State Street Bank & Trust Company, on behalf of investment managers, are in instant access accounts.

#### **The Actuarial Present Value of Promised Retirement Benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards.

As permitted under the Code, the Fund has included a note disclosing the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement in Note N24.

#### **Contingent assets and contingent liabilities**

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes.

#### **Valuation of assets**

The SORP requires securities to be valued on a Fair Value Basis therefore assets and liabilities, where there is an active and readily available market price, are valued at the bid price. Where assets do not actively trade through established exchange mechanisms, a price is obtained from the manager of the investment asset through their quarterly reports. Further details of their approach to establishing fair value can be found within Note N26, Basis of Valuation table. Any amounts due or payable in respect of trades entered into but not yet completed at 31st March each year, accrued dividend income, Fund debtors and creditors and cash and cash instruments are accounted for as financial instruments held at amortised cost. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates prevailing as at 31st March 2022. Purchases and sales during the year which require settlement in a foreign currency are converted from/to sterling at the exchange rate prevailing on the trade date. Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is re-invested in the fund, net of applicable withholding tax. The Pooled Property Investments are independently valued either in accordance with the Royal Institute of Chartered Surveyors valuation standards or by a fair value process driven by International Private Equity and Venture Capital Valuation guidelines. Private Equity and Infrastructure funds are valued using the latest financial statements published by the respective fund managers and in accordance with the International Private Equity and Venture Capital Guidelines. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for movements to the year end.

A detailed breakdown of investments can be found under Note N12.

Financial assets are included in the financial statements on a fair value basis at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from the changes in the fair value of the asset are recognised in the Fund Account.

The values of investment as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 26). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association).

Gloucestershire Pension Fund together with nine other shareholders each hold a 10% share in Brunel Pension Partnership Ltd (company number 10429110). As such, no fund is deemed to have a significant influence and this long term investment is accounted for at fair value. The asset was initially measured at cost and is subsequently revalued for any impairment.

The accounts for the year ended 31st March 2022 use the valuations for the Fund's assets based on the figures provided by the Fund's custodian, State Street.

#### **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. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts. The fair value of the forward currency contracts are based on market forward exchange rates at the year end date.

**N3. Taxation**

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and is exempt from UK capital gains tax on the proceeds of investments sold and UK income tax on interest received. Corporation Tax is deducted from UK equity dividends; tax deducted from property unit trusts can be reclaimed. Withholding tax is payable on income from overseas investments. This tax is recovered wherever local tax laws permit.

**N4. Investment movements summary****2021/22**

Asset Class	Market Value at 31 <sup>st</sup> March 2021 £'000	Purchases during the year at cost and derivative payments £'000	Sales proceeds during the year and derivative receipts £'000	Change in market value during the year £'000	Market Value at 31 <sup>st</sup> March 2022 £'000
Bonds	360,751	775,844	-1,143,493	6,898	-
Equities	-	-	-	-	-
Pooled Investments	2,257,529	1,298,998	-934,775	152,079	<b>2,773,831</b>
Pooled Property Funds	202,134	53,600	-48,439	38,843	<b>246,138</b>
Private Equity/Venture Capital	4,856	-	-1,516	513	<b>3,853</b>
	<b>2,825,270</b>	<b>2,128,442</b>	<b>-2,128,223</b>	<b>198,333</b>	<b>3,023,822</b>
Derivative contracts:					
Futures	-206	387	-383	202	-
Forward currency contracts	499			-499	-
	<b>293</b>	<b>387</b>	<b>-383</b>	<b>-297</b>	<b>-</b>
<b>Long term investment assets</b>					
Brunel Pension Partnership Ltd.	112			-41	<b>71</b>
	<b>112</b>	<b>-</b>	<b>-</b>	<b>-41</b>	<b>71</b>
Net Investment Assets	<b>2,825,675</b>	<b>2,128,829</b>	<b>-2,128,606</b>	<b>197,995</b>	<b>3,023,893</b>

In addition to the investments there was £86,950k (£76,815k 2020/21) in cash, cash equivalents and accruals. Cash movements, currency adjustments and other end of year settlements totalled -£511k (£359k 2020/21). As a result the total profit (-) and losses on disposal of investments and changes in market value of investments was -£197.5m (-£590.6m 2020/21).

**2020/21**

Asset Class	Market Value at 31 <sup>st</sup> March 2020 £'000	Purchases during the year at cost and derivative payments £'000	Sales proceeds during the year and derivative receipts £'000	Change in market value during the year £'000	Market Value at 31 <sup>st</sup> March 2021 £'000
Bonds	331,206	63,441	-52,290	18,394	<b>360,751</b>
Equities	-	-	-	-	-
Pooled Investments	1,673,162	507,876	-496,390	572,881	<b>2,257,529</b>
Pooled Property Funds	200,277	8,032	-2,509	-3,666	<b>202,134</b>
Private Equity/Venture Capital	4,491	-	-57	422	<b>4,856</b>
	<b>2,209,136</b>	<b>579,349</b>	<b>-551,246</b>	<b>588,031</b>	<b>2,825,270</b>
Derivative contracts:					
Futures	415	777	-1,857	459	<b>-206</b>
Forward currency contracts	-1,619	-		2,118	<b>499</b>
	<b>-1,204</b>	<b>777</b>	<b>-1,857</b>	<b>2,577</b>	<b>293</b>
<b>Long term investment assets</b>					
Brunel Pension Partnership Ltd.	427	-	-	-315	<b>112</b>
	<b>427</b>	<b>-</b>	<b>-</b>	<b>-315</b>	<b>112</b>
Net Investment Assets	<b>2,208,359</b>	<b>580,126</b>	<b>-553,103</b>	<b>590,293</b>	<b>2,825,675</b>

In addition to the investments there was £76,815k (£36,204k 2019/20) in cash, cash equivalents and accruals. Cash movements, currency adjustments and other end of year settlements totalled £359k (-£550k 2019/20). As a result the total profit (-) and losses on disposal of investments and changes in market value of investments was -£590.6m (£168.4m 2019/20).

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

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

**N5. Management of fund assets**

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

	2020/21		2021/22	
	£'000	%	£'000	%
<b>Investments managed by the Brunel regional asset pool</b>				
Legal & General Investment Management	498,512	17.2	443,916	14.3
Brunel Global High Alpha Fund	436,140	15.0	408,878	13.1
Brunel ACS UK Equity Fund	373,224	12.9	405,123	13.0
Brunel Sterling Corporate Bonds Portfolio	-	-	365,269	11.7
Brunel Global Sustainable Fund	254,269	8.8	362,852	11.7
Brunel Property Fund	208,809	7.2	246,138	7.9
Brunel Diversifying Returns Fund	217,761	7.5	233,716	7.5
Brunel Multi Asset Credit Portfolio	-	-	200,543	6.4
Brunel Emerging Equity Fund	176,328	6.1	179,114	5.8
Brunel Private Equity and Infrastructure Portfolio	29,709	1.0	97,394	3.1
Cash, cash instruments and accruals with Brunel	-	-	76,181	2.5
Brunel Private Debt Fund	-	-	20,921	0.7
Brunel Pension Partnership Ltd. (Shareholding)	112	0.0	71	0.0
	2,194,864	75.7	3,040,116	97.7
<b>Investments managed outside of the Brunel regional asset pool</b>				
Western Asset Management Company Ltd.	582,266	20.1	-	-
Arcmont Asset Management Ltd.	33,360	1.1	23,602	0.8
Golub Capital Partners International	31,710	1.1	33,228	1.1
Technology Venture Partners	3,817	0.1	3,842	0.1
Yorkshire Fund Managers Ltd.	1,039	0.0	11	0.0
	652,192	22.4	60,683	2.0
<b>Total - External Managers</b>	<b>2,847,056</b>	<b>98.1</b>	<b>3,100,799</b>	<b>99.7</b>
In-house cash and accruals	55,199	1.9	9,833	0.3
Cash instruments with Custodian	235	0.0	211	0.0
	2,902,490	100.0	3,110,843	100.0

Where the value of an investment exceeds 5% of the total value of net assets, details have been disclosed in note N16.

**N6. Actuarial position of the Fund**

- In line with the Local Government Pension Scheme Regulations, actuarial valuations of the Fund are required to be undertaken every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The latest valuation took place as at 31st March 2019 and established the minimum contribution payments for the three years until 31st March 2023. Work on the 2022 valuation has commenced with results being issued towards the end of 2022.

The key elements of the actuarial valuation are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

The aim is to achieve 100% solvency over a period not exceeding 17 years depending on the type of employer and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

- The market value of the Fund's assets at the March 2019 triennial valuation date was £2,379m (£1,703m March 2016) and represented 102% (79.7% March 2016) of the Fund's accrued liabilities.
- The table below summarises the whole fund Primary and Secondary Contribution rates at the 2019 valuation. The 2016 valuation results of the Fund are shown for comparison.

	Last Valuation 31st March 2016	This Valuation 31st March 2019	
Primary Rate (% of pay)	19.6%	20.9%	
Secondary Rate (£)	2017/18 32,487,000 2018/19 36,638,000 2019/20 40,905,000	2020/21 30,652,000 2021/22 26,850,000 2022/23 24,353,000	

- Individual employers' rates will vary depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the Funding Strategy Statement on the Fund's website. The Actuary has made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1st April 2020 to 31st March 2023 in order to maintain the solvency of the Fund.
- The contribution rate has been calculated using the projected evolution of each employers' assets and benefit payments and the main actuarial assumptions used are as follows:

	Funding Basis	
	2016	2019
Rate of return on investments (Discount Rate)	4.0% pa	4.2% pa
Rate of general pay increases	2.4% pa	2.6% pa
Rate of increase to pensions in payment (in excess of guaranteed minimum pension)	2.1% pa	2.3% pa

- The estimate of the pension fund liability is subject to significant variations, based on changes to the underlying assumptions used - please see table above.
- The full actuarial valuation reports for 2013, 2016 and 2019 are published on the Pension pages of the County Council's website
- See note N24 for details of the Actuarial Present Value of Promised Retirement Benefits.

**N7. Analysis of contributions receivable and benefits payable**

	2020/21		2021/22	
	Contributions receivable £'000	Benefits payable £'000	Contributions receivable £'000	Benefits payable £'000
Gloucestershire County Council [Administering authority]	**60,830	47,185	49,440	47,761
Scheduled bodies (177 21/22) (167 20/21)* [Bodies admitted by right]	**76,371	35,530	49,768	37,377
Admitted bodies (39 21/22) (36 20/21)* [Bodies admitted by agreement]	***6,598	5,584	4,903	7,098
	143,799	88,299	104,111	92,236

Scheduled bodies now include 109 (102 20/21) schools who have converted to academy status.

\* These numbers relate to active employers with active members

\*\* During 2020/21 Gloucestershire County Council and four scheduled bodies made the decision to pay lump sum deficit contributions of £38.8m to the Fund to benefit from earning greater investment returns in the short term resulting in reduced contribution payments owing in future years.

\*\*\* Contributions Receivable for Admitted Bodies for 2020/21 contained deficit payments of £2.1m in relation to employers who left the scheme.

## N8. Investment Strategy Statement

The Fund's Investment Strategy Statement (ISS) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 can be found on the Fund's website <https://www.goucestershire.gov.uk/pensions/investments>. It includes a statement on the Fund's approach to pooling its investment assets as required under the Regulations.

## N9. Related party transactions

Gloucestershire County Council, as Administering Authority for the Fund, incurred the following costs in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund. All monies owing to and due from the Fund were paid or accrued for in the year.

	2020/21 £'000	2021/22 £'000
<b>Administrative expenses</b>	2,144	<b>2,299</b>

Part of the Pension Fund's cash holdings are invested on the money markets by the Treasury Management team of Gloucestershire County Council, see notes N2, N21 and N25.

Of the County Council's key management personnel, some of the Deputy Chief Executive & Executive Director of Corporate Resources and the Director of Finance remuneration costs were charged to the Fund to reflect time spent supporting the Fund. These consisted of salary, fees and allowances of £12,781 (£28,528 2020/21), employers' pension contributions of £2,594 (£8,815 2020/21) and employer's national insurance contributions of £1,617. The decrease on the year reflects the reduction in time spent by the Director of Finance following the appointment of the new Head of Pensions.

The Deputy Chief Executive & Executive Director and Director are members of the Fund as contributing Gloucestershire County Council employees. This does not impact on their role as Finance Director and S151 officer, which is clearly defined.

The Pensions Committee is the decision making body for the Fund and Gloucestershire County Council nominates 7 voting committee members. Councillor Gray is also a County Councillor but is the District Council's representative on the Pension Committee.

Each member of the Pension Committee is required to declare their interests at each meeting. Mr. P. Clark, the Scheme Member Representative, is a non-voting member of the Pension Committee. Mr. Clark is a contributing member of the Pension Fund and this does not impact on his Pension Committee role. Three members of the Pension Committee were also District Council members as at 31st March 2022 and these are detailed below:

<b>Member</b>	<b>District Council</b>
Cllr. M. Babbage	Cheltenham Borough Council
Cllr. D. Brown	Gloucester City Council
Cllr. D. Gray	Tewkesbury Borough Council

Cllr L. Stowe represents the Gloucestershire Pension Fund on the Brunel Oversight Board and is corporate shareholder representative for Gloucestershire County Council for UBICO Limited which is an employer in the Fund.

The Pension Board was created on the 1st April 2015. Four members of the Board are members of the Fund as contributing employees. This does not impact on their roles as members of the Pension Board given the nature of the Board's functions.

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

**Brunel Pension Partnership Ltd. (Company Number 10429110)**

Brunel was formed on the 14th October 2016 and oversees the investment of pension fund assets for Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire Funds.

Each of the ten local authorities, including Gloucestershire County Council own 10% of Brunel. As part of Gloucestershire's investment in Brunel the Fund provided regulatory capital. This is subject to regular review by the regulator which could result in additional calls for capital.

Pension Fund transactions with Brunel are as follows:

	2020/21 £'000	2021/22 £'000
Income	-	46
Expenditure	909	1,014
Debtors	-	-
Payments in Advance	271	-

In addition to his role as Pension Committee member, Cllr. L. Stowe represents the Fund on the Brunel Oversight Board.

In 2020/21 the Pension Fund, together with the other nine Funds in Brunel, entered into a Pension Cost Recharge Agreement whereby each Fund agreed to reimburse Brunel with its share of regular ongoing pension related cashflows via its Annual Operating Charge. As part of this arrangement the Fund also agreed to pay or receive its share of any exit payment or credit should Brunel cease to be a member of the Local Government Pension Scheme. At the end of September 2021 the Fund's share of the possible charge was £768k.

**N9a Key management personnel**

The key management personnel of the Fund are the Section 151 Officer and the Head of Pensions. A proportion of the Section 151 Officer's costs have been charged to the Fund to reflect time spent supporting the Fund and those costs are included with those of the Head of Pensions in the table below.

The Head of Pensions position, formerly a 0.5 full time equivalent, was vacant between June and October 2020 before the new Head of Pensions commenced in November 2020 as one full time equivalent.

Therefore in relation to the Head of Pensions post the 2020/21 figure in the below table contains two months at 0.5 of a full time equivalent and 5 months at one full time equivalent. The costs for 2021/22 includes one full time equivalent for the whole year.

	2020/21 £'000	2021/22 £'000
Short-term benefits	51	92
Post-employment benefits	3	-
Other long-term benefits	-	24
Termination benefits	-	-
Share-based payments	-	-
	<hr/>	<hr/>
	54	116

## N10. Contingent liabilities and contractual commitments

### Investment commitments

The Fund has investment commitments with three managers where the investment manager has not yet drawn down all monies due. These commitments relate to investments in private debt, private equity and infrastructure and are requested as and when the respective investment manager identifies an investment opportunity. The amounts requested can therefore be irregular in both size and timing.

In March 2022 the Fund increased its commitment to Brunel's infrastructure mandate by £20m, private equity mandate by £16m and private debt mandate by £38m. Brunel anticipates that commitments in Cycle 1 and Cycle 2 will be fully drawn down by 2026 and Cycle 3 by 2027.

Of the Golub Capital Partners commitment, 87.5% has been drawn down. Golub do not anticipate any further draw downs but reserve the right to still do so. The commitment draw down period will end on the 1st July 2023 and Golub will return monies as investments mature.

In relation to the Fund's private debt funds managed by Arcmont 76% of the Fund's total commitment has been drawn down and the private debt fund will start returning monies as investments mature rather than draw down the entire commitment.

The following table shows the Fund's total commitment and the remaining liability, following drawdowns, at the year end.

	Total Commitment £'000	Outstanding liability 2020/21 £'000	Outstanding liability 2021/22 £'000
Arcmont Asset Management Ltd. (private debt)	50,000	14,992	12,018
Golub Capital Partners International (private debt)	40,000	5,798	5,038
Brunel Pension Partnership Ltd. (private equity) Cycle 1	43,000	31,638	23,596
Brunel Pension Partnership Ltd. (private equity) Cycle 2	70,000	69,563	58,139
Brunel Pension Partnership Ltd. (private equity) Cycle 3	16,000	-	16,000
Brunel Pension Partnership Ltd. (infrastructure) Cycle 1	43,000	30,664	17,503
Brunel Pension Partnership Ltd. (infrastructure) Cycle 2	130,000	122,865	95,276
Brunel Pension Partnership Ltd. (infrastructure) Cycle 3	20,000	-	20,000
Brunel Pension Partnership Ltd. (private debt) Cycle 2	120,000	120,000	99,104
Brunel Pension Partnership Ltd. (private debt) Cycle 3	38,000	-	38,000
	<b>570,000</b>	<b>395,520</b>	<b>384,674</b>

### Pension bonds

During 2021/22, eleven (eleven 2020/21) admitted body employers in the Pension Fund held insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2021/22 (2020/21 nil).

### Contingent liability

In 2020/21 the Pension Fund, together with the nine other Funds in Brunel, entered into a Pension Cost Recharge Agreement whereby each Fund agreed to reimburse Brunel with its share of regular ongoing pension related cashflows via its Annual Operating Charge. As part of this arrangement the Fund also agreed to pay or receive its share of any exit payment or credit should Brunel cease to be a member of the Local Government Pension Scheme. At the end of September 2021 the Fund's share of the possible charge was £768k (2020/21 £657k).

## **N11. Stock lending**

The Pension Funds' custodian is authorised to release directly held stock to third parties under a stock lending arrangement, however during the early part of 2021/22 all of the Fund's assets were transferred into pooled funds and the stock lending programme ceased. Stock lending commission of £1k (2020/21 £3k) was received by the Fund for the part-year.

Brunel also operates a stock lending programme in relation to the underlying assets in two of the Fund's pooled funds. At 31st March 2022 the market value of shares out on loan was £22.2m (2020/21 £17.1m) and the value of collateral held £24.3m (2020/21 £18.5m) equal to 109.3% (2020/21 108.2%) of stock out on loan. Income of £68k (2020/21 £40k) was reinvested into the pooled funds.

These investments continue to be recognised in the Fund's financial statements. During the period the stock is on loan, the voting rights of the loaned stocks pass to the borrower

**N12. Financial asset analysis**

	2020/21	2021/22	Note
	£'000	£'000	
<b>Investment Assets</b>			
Bonds			
Public Sector	45,381	-	
Corporate	315,370	-	
	360,751	-	
Pooled investment vehicles			
Equities	1,738,473	<b>1,799,883</b>	
Bonds	208,677	<b>565,811</b>	
Diversified Growth	217,761	<b>233,716</b>	
Private Equity	11,407	<b>37,290</b>	
Infrastructure	16,141	<b>60,104</b>	
Private Debt	65,070	<b>77,027</b>	
	2,257,529	<b>2,773,831</b>	N10
Other investments			
Pooled Property Investments	202,134	<b>246,138</b>	
Venture Capital/Private Equity	4,856	<b>3,853</b>	
	206,990	<b>249,991</b>	
Derivative Contracts			
Futures	583	-	
Forward Foreign Exchange Contracts	523	-	
	1,106	-	
Cash (Managers)			
Cash instruments	13,239	<b>35,969</b>	
Cash deposits	2,577	<b>40,019</b>	
	15,816	<b>75,988</b>	
Other investment balances			
Debtors			
Outstanding settlement of investment sales	1	<b>51</b>	
Accrued dividend income and tax reclaims due on dividend income	5,799	<b>1,078</b>	
	5,800	<b>1,129</b>	
<b>Long term financial assets</b>			
Brunel Pension Partnership Ltd.	112	<b>71</b>	
	112	<b>71</b>	
<b>Total Investment Assets</b>	2,848,104	<b>3,101,010</b>	
	2020/21	2021/22	Note
<b>Investment Liabilities</b>	£'000	£'000	
Derivative Contracts			
Futures	-789	-	
Forward Foreign Exchange Contracts	-24	-	
	-813	-	
<b>Total Investment Liabilities</b>	-813	-	N15
<b>Long Term Assets</b>			
Contributions due from employers	308	<b>181</b>	
	308	<b>181</b>	N22
<b>Current Assets</b>			
Contributions due from employers	4,974	<b>5,256</b>	
Other current assets (debtors)	277	<b>1,382</b>	
Payments in advance	275	<b>5</b>	
Cash balances	50,668	<b>4,495</b>	N21
	56,194	<b>11,138</b>	N22
<b>Current Liabilities</b>			
Unpaid benefits	-7	<b>-13</b>	
Other liabilities (creditors)	-1,296	<b>-1,473</b>	
	-1,303	<b>-1,486</b>	N23
<b>TOTAL</b>	2,902,490	<b>3,110,843</b>	

**N13. Investment income**

Investment income arises from the following investment categories:

	2020/21 £'000	2021/22 £'000
Bonds	11,751	<b>3,440</b>
Pooled investment vehicles	3,608	<b>7,355</b>
Pooled property investments	8,325	<b>7,672</b>
Interest on cash deposits	140	<b>107</b>
Private equity	7	-
Other income from stock lending, underwriting and class actions	57	<b>202</b>
	<b>23,888</b>	<b>18,776</b>
Withholding tax	43	-
	<b>23,931</b>	<b>18,776</b>

**N14. Separately invested additional voluntary contributions (AVC's)**

Gloucestershire Pension Fund provides additional voluntary contribution (AVC) schemes for its members with The Prudential Assurance Company Limited and Phoenix Life Limited. The AVC's are invested separately in funds managed by them. These are in the form of with-profits, unit-linked and deposit accounts and secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement confirming amounts held to their account and movements in the year. These amounts are not included in the Pension Fund Accounts in accordance with Regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

Value of separately invested additional voluntary contributions

	31st March 2021 £'000	31st March 2022 £'000
The Prudential Assurance Company Limited	6,922	<b>6,587</b>
Phoenix Life Limited	19	<b>19</b>
	<b>6,941</b>	<b>6,606</b>

Contributions paid by members in the Prudential scheme during 2021/22 totalled £597,142 (2020/21 £610,385).

**N15. Derivatives**

In May 2021 the directly invested fixed income manager, who was employing the use of derivatives to reduce currency risk and duration risk, the risk associated with the sensitivity of a bond's price to a one percent change in interest rates, was terminated and all derivative positions closed. Pooled funds investing in Sterling Corporate Bonds and Multi-asset Credit were purchased in their place. Managers of these pooled funds are allowed the modest use of derivatives primarily for currency and interest rate hedging purposes. Due to the nature of pooled funds where units are purchased in the fund itself rather than the underlying assets, details of derivative contracts are at fund level and not disclosed.

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 table below reflects the outstanding contracts at 31st March 2021 which were subsequently closed in early 2021/22.

**Derivative Contract Analysis**

	Contract type*	2020/21 Economic Exposure £'000	2021/22 Economic Exposure £'000	Expiration	2020/21 Market Value £'000	2021/22 Market Value £'000
<b>INVESTMENT ASSETS</b>						
<u>Futures</u>						
US 10yr Note Future	ET	-16,608	-	Less than 3 months	478	-
US Ultra Bond Future	ET	-1,839	-	Less than 3 months	105	-
Overseas Futures		-18,447	-		583	-
<b>Total Futures</b>		<b>-18,447</b>	<b>-</b>		<b>583</b>	<b>-</b>
Forward foreign exchange contracts	OTC	36,753	-	Less than 6 months	523	-
<b>Total Derivative Assets</b>		<b>18,306</b>	<b>-</b>		<b>1,106</b>	<b>-</b>
<b>INVESTMENT LIABILITIES</b>						
<u>Futures</u>						
UK - Fixed Interest						
UK Long Gilt Future	ET	4,976	-	Less than 3 months	-52	-
UK Futures		4,976	-		-52	-
Overseas - Fixed Interest						
German Euro-Bund Future	ET	-7,733	-	Less than 3 months	-24	-
US 5yr Note Future	ET	47,671	-	Less than 3 months	-654	-
US Treasury Long Bond Future	ET	1,120	-	Less than 3 months	-59	-
Overseas Futures		41,058	-		-737	-
<b>Total Futures</b>		<b>46,034</b>	<b>-</b>		<b>-789</b>	<b>-</b>
Forward foreign exchange contracts	OTC	5,804	-	Less than 6 months	-24	-
<b>Total Derivative Liabilities</b>		<b>51,838</b>	<b>-</b>		<b>-813</b>	<b>-</b>
<b>Net Futures</b>					<b>293</b>	<b>-</b>

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

Open forward Currency Contracts	Asset Value £'000	Liability Value £'000
Open forward currency contracts at 31st March 2022	-	-
Net forward currency contracts at 31st March 2022	-	-
Prior year comparative		
Open forward currency contracts at 31st March 2021	523	-24
Net forward currency contracts at 31st March 2021	499	

**N16. Investments exceeding 5% of Total Net Assets**

At 31<sup>st</sup> March 2022 the Pension Fund held seven (2020/21, eight) investments that each exceeded 5% of the total value of the net assets of the scheme. These seven investments totalled £2,262,698k out of a total market value for the Fund of £3,110,843k. These are detailed as follows:

<b>Investments exceeding 5% of Total Net Assets</b>	2020/21		2021/22	
	£'000	%	£'000	%
Brunel Global High Alpha Equity Fund	436,140	15.0	<b>408,878</b>	<b>13.1</b>
Brunel UK Equity Fund	373,224	12.9	<b>405,122</b>	<b>13.0</b>
Royal London Pooled Pension Company - Brunel Sterling Corporate Bond Fund	-	-	<b>365,269</b>	<b>11.7</b>
Brunel Global Sustainable Fund	254,269	8.8	<b>362,852</b>	<b>11.7</b>
Legal & General FTSE Paris Aligned Developed Equities Index Fund	-	-	<b>307,747</b>	<b>9.9</b>
Brunel Diversifying Returns Fund	217,761	7.5	<b>233,716</b>	<b>7.5</b>
Brunel Emerging Markets Equity Fund	176,328	6.1	<b>179,114</b>	<b>5.8</b>
Legal & General Developed World Equity Hedged Currency Index Fund	167,613	5.8	*	*
Legal & General SSciBeta Multi Factor Developed Equity Index Fund	263,530	9.1	-	-
Legg Mason Global Funds - WA GMS	201,044	6.9	-	-
	<b>2,089,909</b>	<b>72.1</b>	<b>2,262,698</b>	<b>72.7</b>

\* The Fund continues to hold the Legal & General Developed World Equity Fund, however its value has dropped below 5% of Total Net Assets standing at £136,169,000 (4.4 %).

*The Brunel Funds are Unit Trusts.*

*The Legg Mason Global Fund is an O.E.I.C. investing in overseas fixed interest.*

*The Legal & General Funds are passively managed Unitised Insurance Policies.*

*The Royal London Pooled Pension Company Fund is an Unitised Insurance Policy investing in sterling corporate bonds.*

**N17. Agency services**

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

	2020/21 £'000	2021/22 £'000
Discretionary Payments	1,109	<b>1,091</b>

**N18. Contributions breakdown**

	2020/21 £'000	2021/22 £'000
From Employers:		
Normal contributions	62,440	<b>67,026</b>
Augmentation contributions	-	-
Deficit recovery contributions	57,267	<b>15,063</b>
Section 75 debt (cessation of employer)	2,066	-9
Other	1,916	<b>912</b>
	<b>123,689</b>	<b>82,992</b>

## From Members:

Normal contributions	19,937	<b>20,923</b>
Additional voluntary contributions	173	<b>196</b>
	<b>20,110</b>	<b>21,119</b>

The Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The primary contribution rate, the rate which all employers in the Fund will pay was set at 20.9%, in addition most employers will also pay a secondary contribution rate depending on their own particular circumstances. Full details of the contribution rates payable can be found in the 2019 Actuarial Valuation Report and the Pension Fund's Annual Report.

The employers' monthly contributions are expressed as a percentage of pensionable pay. Deficit recovery payments are either based on a percentage of pensionable pay or paid as a lump sum. Both monthly contributions and deficit funding payments have been identified above. The deficit recovery contributions relate to past service benefit accrual and are payable over an agreed recovery period, not exceeding 17 years.

During 2020/21 Gloucestershire County Council and four scheduled bodies made the decision to pay lump sum deficit contributions of £38.8m to the Fund to benefit from earning greater investment returns in the short term resulting in reduced contribution payments owing in future years.

In addition Gloucestershire County Council also paid a higher percentage contribution rate in 2020/21 equivalent to £2.8m to benefit from earning greater investment returns.

Employers who leave the scheme may need to pay outstanding deficit payments and this is included under Section 75 debt.

A revision to the Regulations in May 2018 and a further, more recent revision permits, at the discretion of the Pension Fund, the payment of an exit credit to an employer. Exit credit payments are also included within Section 75 debt.

Other contributions are those contributions paid by an employer to compensate the Pension Fund for early retirement or the recovery of ill health retirement costs.

These payments follow the principles outlined in the Funding Strategy Statement. Early retirement costs are usually paid in one lump sum or were historically paid over several years dependent on the status of the employer. When a payment is spread there is an extra cost to reflect the delay in total payment. There are currently no early retirement costs being spread. At 31<sup>st</sup> March 2022, £34k (2020/21 £0) was due to the Pension Fund for early retirements and has been accrued.

The majority of employers are covered by an ill health insurance policy and claims are made as they arise. Excess ill health retirement costs, not covered by the insurance policy, are invoiced for where necessary. At 31st March 2022, £50k (2020/21 £454k) was due to the Pension fund for ill health retirement costs and has been accrued.

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

#### **N19. Custody of investments**

The accounts for the year ended 31st March 2022 use the valuations for the Fund's assets provided by our custodian, State Street Bank & Trust Company. This reflects the position of the custodian who is ultimately the master book of record. Custodian records are regularly reconciled with the Fund Managers' records. Using the custodian's valuations ensures that the various portfolios are priced consistently, so that the same stocks, in different portfolios, are valued on the same basis. Investments held in custody by State Street Bank & Trust Company on behalf of the Pension Fund, are ring-fenced from the assets of the Bank and segregated within its books as belonging to Gloucestershire County Council's Pension Fund.

#### **N20. Management expenses**

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

<u>Management expenses</u>	2020/21 £'000	2021/22 £'000
Investment management expenses *	10,146	16,306
Administration expenses	1,556	1,553
Oversight & governance	500	671
	12,202	18,530

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

#### **Investment management expenses**

	2021/22			
	Management Fees £'000	Performance fees £'000	Transaction Costs £'000	Total £'000
Bonds	74	-	-	74
Pooled Investment Vehicles	9,331	1,160	3,243	13,734
Pooled Property Investments	1,038	165	245	1,448
Derivative Contracts	-	-	7	7
Brunel Pension Partnership Ltd.	969	-	-	969
	11,412	1,325	3,495	16,232
Custody Fees				71
Tax and Legal Costs				3
				16,306

## Investment management expenses

2020/21

	Management Fees	Performance fees	Transaction Costs	Total
	£'000	£'000	£'000	£'000
Bonds	573	-	-	573
Pooled Investment Vehicles	6,699	-	554	7,253
Pooled Property Investments	1,040	-	-	1,040
Derivative Contracts	-	-	142	142
Brunel Pension Partnership Ltd.	1,049	-	-	1,049
	<b>9,361</b>	-	<b>696</b>	<b>10,057</b>
Custody Fees				89
				<b>10,146</b>

Investment management expenses are generally set on a fixed fee basis, calculated using the market value of each portfolio. The cost of investment management expenses varies with the value of assets under management.

The increase on investment management expenses during the period of £6.2 million arose as a result of four key factors:

- Two of the Private Debt funds starting to return profits from which fees were deducted which also included a performance fee of £1.2m.
- The change in the Strategic Asset Allocation of the Fund and the final transitions to the Investment Pool and resultant transition costs.
- An increase in the amount invested in private equity and infrastructure which attract a higher fee structure.
- An increase in reported transaction costs.

### Change in Strategic Asset Allocation

In accordance with the agreed strategic asset allocation, the existing fixed interest holdings were sold and the proceeds invested in a Sterling Corporate Bond Fund and Multi Asset Credit Fund managed by Brunel. This move resulted in transition costs of £1,231k (transition costs £492k in 2020/21) and £132k in investment management costs. In addition the Fund sold its Low Carbon and Smart Beta pooled funds and invested in a Paris Aligned pooled fund to increase investments in climate solutions in line with the Paris goals, this resulted in transaction costs of £273k. These changes, which were supported by the Independent Investment advisor to the Fund, are designed to improve investment returns, and increase diversification and reduce investment risks to the Fund.

### Transaction and transition costs

When an asset is purchased or sold a cost is incurred for broker commission and stamp duty, when appropriate, based on a small percentage of the value of assets being transacted. When an asset is directly held these costs are easily identified, when a pooled fund is held these indirect costs are less transparent as details of the underlying investments and transactions are not generally disclosed.

For the first time the Fund has included indirect transaction costs within the accounts to show a complete reflection of the costs. These costs have been identified from cost transparency templates provided by the investment managers as part of the LGPS Scheme Advisory Board Code of Transparency and Compliance initiative and accounts for the majority of the increase in transaction costs of £3,495k including transition costs of £1,231k compared to £696k (of which transition costs were £492k) in 2020/21. As recommended by CIPFA transactions costs have been added to Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments.

### Administration expenses and Oversight & Governance expenses

Administration Expenses remained broadly even with a reduction in staff costs offset by an increase in IT and legal costs. Whilst the increase in Oversight & Governance was mainly due to increased actuarial fees in readiness for the triennial valuation and professional fees incurred in improving the Fund's corporate governance structure.

Within Oversight and Governance costs there were actuarial expenses of £61,330 (£87,680 2020/21) generated by specific employer requirements, these were recharged back to the employer. The corresponding income is included within Recoveries for Services Provided in the Fund Account.

In addition to the recharged actuarial expenses, recoveries for services provided includes £27,977 (£5,959 20/21) for pension and fee reimbursements.

### **Audit fees**

Audit fees of £45,206 ( £22,575 in 2020/21) were incurred in relation to Grant Thornton UK LLP, the auditors appointed by Public Sector Audit Appointments Ltd. for external audit services.

### **N21. Cash**

From the 1<sup>st</sup> April 2010 the Pension Fund has had its own bank account. At 31<sup>st</sup> March 2022 cash of £4.5m (£50.7m in 2020/21) was invested through the County Council's short-term investment procedures. During the year the average investment balance was £27.76m (£55.4m 2020/21) earning interest of £7k (£54.5k 2020/21).

### **N22. Current & long term assets**

	2020/21 £'000	2021/22 £'000
<b>Current assets</b>		
Contributions due - Employees	925	1,100
Contributions due - Employers	4,049	4,156
Sundry debtors	277	1,382
Payment in advance	275	5
	<hr/>	<hr/>
Cash balances	5,526	6,643
	<hr/>	<hr/>
	50,668	4,495
	<hr/>	<hr/>
	56,194	11,138

	2020/21 £'000	2021/22 £'000
<b>Long term assets</b>		
Long term debtors	308	181

It had been agreed that an employer who left the Fund could spread the payment of their deficit over a number of years. The total amount was credited to the Pension Fund and an accrual made for the outstanding amount. The accrual is rolled forward each year and adjusted for deficit payments made. A payment of £127,200 is due to the Pension Fund within the next twelve months and is included in Current Assets - Sundry Debtors.

### **N23. Current liabilities**

	2020/21 £'000	2021/22 £'000
Benefits payable	-7	-13
Sundry creditors	-1,296	-1,473
	<hr/>	<hr/>
	-1,303	-1,486

## N24. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation (See Note N6), the Fund's Actuary also undertakes a valuation of the Pension Fund liabilities on an IAS19 basis every year. The promised retirement benefits at 31st March 2022 have been projected using a roll forward approximation from the latest formal funding valuation as at 31st March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However the Actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

### Present Value of Promised Retirement Benefits:

Year Ended	31st March 2021	31 <sup>st</sup> March 2022
	£m	£m
Active members	1,881	1,900
Deferred members	990	922
Pensioners	1,277	1,184
<b>Total</b>	<b>4,148</b>	<b>4,006</b>

It should be noted that the above figures are appropriate only for the preparation of the Fund's accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

### Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31st March 2022 and 31st March 2021. It is estimated that the impact of the change in financial assumptions to 31st March 2022 is to decrease the actuarial present value by £309m (20/21 increase of £837m). It is estimated that the impact of the change in demographic assumptions is to decrease the actuarial present value by £20m (20/21 increase by £49m).

### Significant Actuarial Assumptions Used

#### Financial assumptions:

Year Ended	31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2022
	% pa	% pa
Pension Increase Rate (CPI)	2.85	3.20
Salary Increase Rate	3.15	3.50
Discount Rate	2.00	2.70

#### Demographic assumptions:

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below.

Longevity assumptions as at 31st March 2022	Males	Females
	Years	
Current Pensioners	21.7	24.1
Future Pensioners **	22.6	25.8

Longevity assumptions as at 31st March 2021	Males	Females
	Years	
Current Pensioners	21.9	24.3
Future Pensioners **	22.9	26.0

\*\* Future pensioners are assumed to be aged 45 at the latest formal valuation as at 31st March 2019.

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

## Sensitivity Analysis

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

<b>Change in assumption at 31st March 2022</b>	<b>Approximate % increase to promised retirement benefits</b>	<b>Approximate monetary amount</b>
	<b>%</b>	<b>£m</b>
0.1% p.a. decrease in the Discount Rate	2	79
0.1% p.a. increase in the Salary Increase Rate	0	7
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	72
1 year increase in member life expectancy	4	160

<b>Change in assumption at 31st March 2021 *</b>	<b>Approximate % increase to promised retirement benefits</b>	<b>Approximate monetary amount</b>
	<b>%</b>	<b>£m</b>
0.5% p.a. decrease in the Discount Rate	10	424
0.5% p.a. increase in the Salary Increase Rate	1	37
0.5% p.a. increase in the Pension Increase Rate (CPI)	9	379
1 year increase in member life expectancy	3-5	n/a

\* The percentage movements used in the Sensitivity Analysis for 31st March 2022 have changed from 0.5% to 0.1% so a direct comparison is not possible.

## **N25. 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 collective investment schemes (or pooled funds), cash and cash equivalents and debtors and creditors (which arise as a result of its operations). The value of all these financial instruments in the financial statements approximates to their fair value.

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

The Fund's investments are managed on behalf of the Fund via Brunel and its appointed Investment Managers. In addition the Fund also has a small number of directly appointed pooled funds. 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 mandate and considers and takes advice on the nature of the investments made and associated risks.

The Fund's investments are held by State Street Bank & Trust Company, 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, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical, industry sectors, individual securities, investment mandate guidelines and Investment Managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee as well as appropriate monitoring of market conditions and benchmark analysis.

### **Other Price Risk**

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

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

**Other Price Risk - Sensitivity Analysis**

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of return experienced by each investment portfolio during the year to 31<sup>st</sup> March 2022. The volatility data is broadly consistent with a one-standard deviation movement in the value of the assets. The analysis assumes that all other variables remain constant.

Movements in market prices would have increased or decreased the assets, as held by the Fund's custodian, at 31<sup>st</sup> March 2022 by the amounts shown below:

<b>As at 31st March 2022</b>	<b>Value</b>	<b>Volatility of return</b>	<b>Value on Increase</b>	<b>Value on Decrease</b>
	£'000	%	£'000	£'000
UK Bonds	365,269	8.10	394,856	335,682
Overseas Bonds	200,543	8.10	216,787	184,299
UK Equities	405,122	19.90	485,742	324,503
Multi National Equities	1,628,477	18.50	1,929,745	1,327,208
UK Property	220,656	15.00	253,754	187,557
Overseas Property	25,483	15.00	29,306	21,660
Venture Capital/Private Equity/Infrastructure	101,247	31.20	132,836	69,658
Private Debt	77,027	9.00	83,959	70,095
	3,023,824		3,526,985	2,520,662
<b>Total Gloucestershire Fund</b>	<b>3,023,824</b>	<b>13.00%</b>	<b>3,416,921</b>	<b>2,630,727</b>

Cash equivalents of £5,296k have been included in UK Bonds and £1,021k in Overseas Bonds. Both of these asset classes are invested in pooled funds.

The above table does not include investment manager cash, cash instruments and debtors or the Brunel Pension Partnership shareholding, long term and current assets and current liabilities of £87,019k as these are not subject to price risk.

<b>As at 31st March 2021</b>	<b>Value</b>	<b>Volatility of return</b>	<b>Value on Increase</b>	<b>Value on Decrease</b>
	£'000	%	£'000	£'000
UK Bonds	333,654	8.00	360,346	306,962
Overseas Bonds	235,774	8.00	254,636	216,912
UK Equities	373,224	16.70	435,552	310,896
Multi National Equities	1,583,011	16.60	1,845,791	1,320,231
UK Property	188,361	14.20	215,108	161,614
Overseas Property	13,773	14.20	15,729	11,817
Venture Capital/Private Equity/Infrastructure	32,404	28.50	41,639	23,169
Private Debt	65,070	4.60	68,063	62,077
	2,825,271		3,236,864	2,413,678
<b>Total Gloucestershire Fund</b>	<b>2,825,271</b>	<b>10.50%</b>	<b>3,121,924</b>	<b>2,528,618</b>

The above table does not include investment manager cash, cash instruments and debtors or the Brunel Pension Partnership shareholding, derivative contracts, long term and current assets and current liabilities of £77,219k as these are not subject to price risk.

**Interest Rate Risk**

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. This risk will affect the value of both fixed interest and index linked securities. The amount of income receivable from cash balances will also be affected by fluctuations in interest rates.

The Funds exposure to interest rate movements, as a result of its investments in fixed interest pooled funds, as at the 31st March 2022 is set out below along with the interest rate sensitivity analysis data. Information supplied for 2020/21 relates to the Fund's directly held bond investments.

#### Interest Rate Sensitivity Analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. In the UK, the benchmark 10-year gilt yield rose from 0.97% to 1.61% in the March 2022 quarter, a rise of 64bps. There was a respite in the upwards trend following the Russian invasion of Ukraine, but concern about inflation and more hawkish central bank rhetoric meant that the fall in yields proved to be temporary. The same pattern was visible in the US and Germany, where yields rose throughout the period but temporarily dipped around the onset of war in Ukraine: the benchmark treasury yield rose from 1.51% to 2.34% in the March 2022 quarter, while the 10-year bund yield rose from -0.14% to 0.55%. Given the high degree of uncertainty over the future economic situation, the Fund's bond manager has advised that it is entirely possible that yields could fluctuate anywhere within this historic range in the next year, or in extreme circumstances outside these boundaries.

Changes in interest rates do not impact on the value of cash and cash equivalents but they will affect the interest income received on those balances.

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

Assets exposed to interest rate risk	Carrying amount as at 31st March 2022	Change in the year in the net assets available to pay benefits	
		+100BPS (1% increase)	-100BPS (1% decrease)
		£'000	£'000
Cash held directly by the Fund	4,495	-	-
Cash and cash equivalents held on behalf of the Fund	75,988	-	-
Bond Portfolio - Fixed Interest Securities	565,812	-32,423	32,423
	646,295	-32,423	32,423

In the above table, cash equivalents of £6,317k are included in the Bond Portfolio - Fixed Interest Securities, which are held in pooled funds.

Assets exposed to interest rate risk	Carrying amount as at 31st March 2021	Change in the year in the net assets available to pay benefits	
		+100BPS (1% increase)	-100BPS (1% decrease)
		£'000	£'000
Cash held directly by the Fund	50,668	-	-
Cash and cash equivalents held on behalf of the Fund	15,816	-	-
Bond Portfolio - Fixed Interest Securities	551,606	-32,568	32,568
	618,090	-32,568	32,568

#### **Foreign Currency Risk**

Foreign currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on both monetary and non-monetary investments denominated in a currency other than Sterling. For a Sterling based investor, when Sterling weakens, the Sterling value of foreign currency denominated investments rises. As Sterling strengthens, the Sterling value of foreign currency denominated investment falls. The Fund's allocation to passive global developed world equities is held in a currency hedged share class, thereby providing the Fund with a certain level of currency exposure protection.

### Currency Risk Sensitivity Analysis

Following analysis of historical data, by the Fund's performance measurement service, the likely volatility associated with foreign exchange rate movements is considered to be 7% (as measured by one standard deviation).

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

A 7% strengthening/weakening of the Pound against the various countries in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

2021/22 Currency exposure - Asset type	Asset value		
	31st March 2022	Change to net assets available to pay benefits	
		£'000	£'000
		+7%	-7%
UK Equities*	1,470	1,573	1,367
Global Equities	1,194,914	1,278,558	1,111,270
Global Bonds	34,221	36,616	31,826
Overseas Private Debt	33,235	35,561	30,909
Overseas Property	25,483	27,267	23,699
Venture Capital /Private Equity/ Infrastructure	43,284	46,314	40,254
Diversified Growth	16,754	17,927	15,581
Cash/Cash equivalents	5,868	6,279	5,457
	1,355,229	1,450,095	1,260,363

\* Amount of overseas currency within the Brunel UK Equity Pooled Fund

2020/21 Currency exposure - Asset type	Asset value		
	31st March 2021	Change to net assets available to pay benefits	
		£'000	£'000
		+6.9%	-6.9%
UK Equities	-	-	-
Global Equities	1,140,344	1,219,028	1,061,660
Emerging Market Equities	-	-	-
Overseas Private Debt	32,611	34,861	30,361
Venture Capital /Private Equity/ Infrastructure	-	-	-
Diversified Growth	10,651	11,386	9,916
Cash/Cash equivalents	739	790	688
	1,184,345	1,266,065	1,102,625

### **Credit Risk**

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

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

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

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

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

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

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

Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. This risk is managed by restricting the collateral permitted.

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 pooled funds can be analysed using standard industry credit ratings and the analysis as at 31<sup>st</sup> March 2022 is set out below. Information supplied for 2020/21 relates to the Fund's directly held bond investments and has been categorised slightly differently.

#### Credit Analysis

31 <sup>st</sup> March 2022	AAA	AA+	A+	BBB+	BB+	B+	CCC+	Unrated
	to AA-	to A-	to BBB-	to BB-	to B-	to C-		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK Corporate Bonds	19,511	20,231	79,446	203,133	15,047	9,359	-	13,247
Global Bonds	2,451	159	3,607	18,472	36,048	90,031	40,831	7,672
	<b>21,962</b>	<b>20,390</b>	<b>83,053</b>	<b>221,605</b>	<b>51,095</b>	<b>99,390</b>	<b>40,831</b>	<b>20,919</b>
% of Fixed Interest Pooled Funds	3.9	3.6	14.9	39.6	9.1	17.8	7.3	3.7

Cash equivalents held in the Bond Portfolio pooled funds of £6,317k have not been included in the credit analysis table above but are included in the market value of the Bond Portfolio pooled funds in Note 12.

31 <sup>st</sup> March 2021	AAA	AA	A	BBB	BB	B	Unrated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK Gilts	-	35,621	-	-	-	-	-
Overseas Govt Bonds	9,224	-	-	-	-	-	-
Corporate Bonds	-	15,468	149,081	110,538	7,130	4,109	1,160
Asset backed	1,098	5,483	4,966	19,044	2,296	-	-
Emerging Markets	-	-	3,796	824	1,023	30	-
Mortgage Backed Securities	-	1,908	-	-	-	-	-
Cash/Cash Equivalents/Currency Forwards/Derivatives	2	1	-	-	-	-	8,527
	<b>10,324</b>	<b>58,481</b>	<b>157,843</b>	<b>130,406</b>	<b>10,449</b>	<b>4,139</b>	<b>9,687</b>
% of Fixed Interest Portfolio	2.7	15.3	41.4	34.2	2.7	1.1	2.6

### Treasury Management Year End Cash Balances

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

The Fund's cash holding under its treasury management arrangements at 31st March 2022 is shown below:

<b>Account Name</b>	<b>Balances as at 31st March 2021</b>		<b>Balances as at 31st March 2022</b>	
	<b>Rating*</b>	<b>£'000</b>	<b>Rating*</b>	<b>£'000</b>
Aberdeen Standard Liquidity Fund	AAAm	<b>10,000</b>	AAAm	<b>2,636</b>
Federated Short Term Sterling Prime Fund	AAAm	<b>10,000</b>	AAAm	<b>1,274</b>
Goldman Sachs	AAAm	<b>9,483</b>	AAAm	-
HSBC Instant Access	A-1	<b>21,210</b>	A-1	-
Lloyds Instant Access	-	<b>-</b>	A-1	<b>545</b>
HSBC Current Account	A-1	<b>-25</b>	A-1	<b>20</b>
Lloyds Current Account	-	<b>-</b>	A-1	<b>20</b>
<b>Total</b>		<b>50,668</b>		<b>4,495</b>

\* Ratings quoted are all Standard and Poors as at 31st March 2022 and 2021

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Pension Fund has not experienced any actual defaults in recent years and in the past the Fund has obtained a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. More recently the Fund has also admitted certain employers on a pass-through basis where the risks inherent in participating in the LGPS are shared between the new employer and the letting employer who is supported by central government. Contributions due as at 31st March 2022 was £5,256k (2020/21 £4,974k) and as at 26th May 2022 £50k remained outstanding.

### **Liquidity Risk**

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

### **Refinancing risk**

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

**N26 Fair value hierarchy****Basis of valuation**

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques.

Description of asset	Valuation hierarchy	Value at 31st March 2022 £'000	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Derivate Contracts - Futures	Level 1	-	Published exchange prices at the year end	Not required	Not required
Cash Deposits	Level 1	44,514	Cash held in foreign currencies are shown at market value translated into sterling at the exchange rates prevailing as at 31st March 2022	Not required	Not required
Investment income and tax reclaims due	Level 1	1,078	Investment income is accounted for when a holding is declared ex-dividend and tax reclaims accounted for when tax is deducted from investment income. Income and tax reclaims due in foreign currencies are shown at market value translated into sterling at the exchange rates prevailing as at 31st March 2022	Not required	Not required
Amounts receivable for investment sales	Level 1	51	Amounts receivable due in foreign currencies are shown at market value translated into sterling at the exchange rates prevailing as at 31st March 2022	Not required	Not required
Bonds	Level 2	-	Fixed interest securities are valued at a market value based on current yields	Source of pricing, valuation methodology documentation	Not required
Derivative Contracts - Forward foreign exchange derivatives	Level 2	-	Market forward exchange rates at the year-end	Exchange rate risks	Not required
Pooled investment vehicles	Level 2	2,599,410	Closing bid price where bid and offer prices are published Closing single price where single price published.	NAV based pricing set on a forward pricing basis and prices published frequently.	Not required
Pooled Property investments	Level 2	221,682	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis. Ease of redemption	Not required
Cash instruments held on behalf of the investment managers	Level 2	35,969	Net Asset Value	Interest rates	Not required

Description of asset	Valuation hierarchy	Value at 31st March 2022 £'000	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private equity	Level 3	41,143	Fair value basis applied in accordance with International Financial Reporting Standards and International Private Equity Valuation guidelines.	EBITDA multiple, Revenue multiple, Discount for lack of marketability, Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Private Debt	Level 3	77,027	The fair value of funds managed by Arcmont and Golub is determined by the enterprise value of a portfolio company, the nature and realisable value of any collateral, its ability to make payments and its earnings, discounted cash flows, market environment and changes in the interest rate environment. For the Private Debt fund managed by Brunel, a fair value basis is applied in accordance with International Financial Reporting Standards and International Private Equity Valuation guidelines.	Initial recognition cost, Principal repayments, effective interest method, Impairment reductions	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Infrastructure	Level 3	60,104	Fair value basis applied in accordance with International Financial Reporting Standards and International Private Equity Valuation guidelines.	Future free cash flows from underlying investments. Cost of capital of underlying investments	Valuations could be affected by material events occurring after the preparation of the independent reports, and by changes to expected cash flows

**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. Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. 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. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.
- Level 2 – Inputs other than quoted market prices under Level 1, for example, when an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.
- Level 3 – At least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31st March 2022	Using Quoted market price observable inputs				With significant unobservable inputs Level 3 £'000	Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000		
<b>Financial assets at fair value through profit and loss</b>						
Bonds	-	-	-	-	-	-
Pooled investment vehicles	-	2,599,410	-	2,599,410		
Pooled property investments	-	221,682	24,456	246,138		
Private Equity	-	-	41,143	41,143		
Infrastructure	-	-	60,104	60,104		
Private Debt	-	-	77,027	77,027		
Derivative contracts	-	-	-	-		
Cash instruments held on behalf of the investment managers	-	35,969	-	35,969		
Cash deposits	44,514	-	-	44,514		
Investment income and tax reclaims due	1,078	-	-	1,078		
Amounts receivable for investment sales	51	-	-	51		
	45,643	2,857,061	202,730	3,105,434		
Non-financial assets at fair value through profit and loss	-	-	-	-		
Financial liabilities at fair value through profit and loss	-	-	-	-		
Amounts payable for investment purchases	-	-	-	-		
<b>Net Investment Assets</b>	<b>45,643</b>	<b>2,857,061</b>	<b>202,730</b>	<b>3,105,434</b>		
Brunel Pension Partnership Ltd.				71		
Debtors/Creditors*				5,338		
<b>Total Net Investment Assets</b>	<b>45,643</b>	<b>2,857,061</b>	<b>202,730</b>	<b>3,110,843</b>		

Values at 31st March 2021	Using Quoted market price observable inputs				With significant unobservable inputs Level 3 £'000	Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000		
<b>Financial assets at fair value through profit and loss</b>						
583	2,592,456	246,053	2,839,092			
Non-financial assets at fair value through profit and loss	-	-	-	-		
-789	-	-	-789			
Investment manager cash and accruals				8,876		
<b>Net Investment Assets</b>	<b>-206</b>	<b>2,592,456</b>	<b>246,053</b>	<b>2,847,179</b>		
Brunel Pension Partnership Ltd.				112		
Investment Debtors/Creditors*				55,199		
<b>Total Net Investment Assets</b>	<b>-206</b>	<b>2,592,456</b>	<b>246,053</b>	<b>2,902,490</b>		

\* Debtors and creditors have been added to this table to reflect the total net assets of the Fund.

**Transfers between Levels 1 and 2**

There has been no movement between levels 1 & 2

**Sensitivity of assets valued at level 3**

Having consulted with independent advisors, who model 5,000 possible outcomes of future behaviour of each economic variable and asset return, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31st March 2022.

2021/22	Assessed valuation range (+/-)			
	Value at 31st March 2022 £'000	Value on increase £'000	Value on decrease £'000	
UK Pooled Property Investments	15.0%	14,425	16,589	12,261
Overseas Pooled Property Investments	15.0%	10,031	11,535	8,526
Private Equity/Infrastructure	31.2%	101,247	132,836	69,658
UK Bonds	8.1%	-	-	-
UK Private Debt	9.0%	43,799	47,740	39,857
Overseas Private Debt	9.0%	33,228	36,219	30,237
<b>Total</b>	<b>202,730</b>	<b>244,919</b>	<b>160,539</b>	

2020/21	Assessed valuation range (+/-)			
	Value at 31st March 2021 £'000	Value on increase £'000	Value on decrease £'000	
UK Pooled Property Investments	14.2%	145,184	165,800	124,568
Overseas Pooled Property Investments	14.2%	-	-	-
Private Equity/Infrastructure	28.5%	32,404	41,639	23,169
UK Bonds	8.0%	3,395	3,667	3,123
UK Private Debt	4.6%	33,360	34,895	31,825
Overseas Private Debt	4.6%	31,710	33,169	30,251
<b>Total</b>	<b>246,053</b>	<b>279,170</b>	<b>212,936</b>	

All movements in the assessed valuation range of the above investments derive from changes in the underlying profitability of component companies, the range of the potential movement quoted is caused by how this profitability is measured and the economic circumstances in which the component company operates.

## Reconciliation of Fair Value Measurements within Level 3

2021/22

	UK Pooled Property Investments £'000	Overseas Pooled Property Investments £'000	Private Equity/Infra- structure £'000	Overseas Private Debt £'000	UK Private Debt £'000	UK Bonds £'000	Total £'000
Market Value 31st March 2021	145,184	-	32,404	31,710	33,360	3,395	246,053
Transfers into Level 3*	7,509	-	-	-	-	-	7,509
Transfers out of Level 3*	-137,838	-	-	-	-	-	-137,838
Purchases during the year and derivative payments	1,863	9,339	62,177	-	23,787	1,931	99,097
Sales during the year and derivative receipts	-3,183	-	-3,516	-	14,496	-5,824	1,973
Unrealised gains/(losses)	670	691	10,257	-2,468	-28,071	-	-18,921
Realised gains/(losses)	220	1	-75	3,986	227	498	4,857
<b>Market Value 31st March 2022</b>	<b>14,425</b>	<b>10,031</b>	<b>101,247</b>	<b>33,228</b>	<b>43,799</b>	<b>-</b>	<b>202,730</b>

2020/21

	UK Pooled Property Investments £'000	Overseas Pooled Property Investments £'000	Private Equity/Infra- structure £'000	Overseas Private Debt £'000	UK Private Debt £'000	UK Bonds £'000	Total £'000
Market Value 31st March 2020	170,116	-	17,111	33,363	30,752	17,699	269,041
Transfers into Level 3**	2,963	-	-	-	-	-	2,963
Transfers out of Level 3**	-24,064	-	-	-	-	-14,369	-38,433
Purchases during the year and derivative payments	25	-	23,501	-	2,540	-	26,066
Sales during the year and derivative receipts	-	-	-8,644	-	-93	-52	-8,789
Unrealised gains/(losses)	-3,856	-	450	-1,653	161	121	-4,777
Realised gains/(losses)	-	-	-14	-	-	-4	-18
<b>Market Value 31st March 2021</b>	<b>145,184</b>	<b>-</b>	<b>32,404</b>	<b>31,710</b>	<b>33,360</b>	<b>3,395</b>	<b>246,053</b>

When assigning holdings to a level in the fair value hierarchy, consideration is given to the Fund's ability to exit the holding. For holdings not traded on a recognised exchange but where a published price exists and investors are entitled to redeem their holding without restriction, holdings are assigned to level 2. Where there are restrictions on redemption, holdings are assigned to level 3.

\*

On the 1st April 2021, £137.8m of UK Pooled Property Investments were transferred from level 3 to level 2 due to the restrictions on redemption easing. Similarly £7.5m of UK Pooled Property Investments were transferred from level 2 to level 3 due to restrictions on redemption.

\*\* Following further information received, on the 1st April 2020 £24.1m of Pooled Property Investment was transferred from level 3 to level 2 and £3m Pooled Property Investment was transferred from level 2 to level 3.

In the quarter ending March 2021, £14.4m of UK Corporate Bonds were transferred from level 3 to level 2 due to there being more observed trading activity to corroborate the fair values given.

## N27. Financial instrument disclosure

2021/22	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	£'000	£'000	£'000
<b>Financial assets</b>			
Bonds	-	-	-
Pooled investment vehicles	2,773,831	-	-
Pooled property investments	246,138	-	-
Venture Capital/Private equity	3,853	-	-
Brunel Pension Partnership Ltd.	71	-	-
Derivative contracts	-	-	-
Cash	75,988	4,495	-
Other investment balances	-	1,129	-
Debtors	-	1,387	-
	<b>3,099,881</b>	<b>7,011</b>	<b>-</b>
<b>Financial liabilities</b>			
Derivative contracts	-	-	-
Other investment balances	-	-	-
Creditors	-	-	-1,473
Borrowings	-	-	-
	<b>-</b>	<b>-</b>	<b>-1,473</b>
	<b>3,099,881</b>	<b>7,011</b>	<b>-1,473</b>
2020/21	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	£'000	£'000	£'000
<b>Financial assets</b>			
Bonds	360,751	-	-
Pooled investment vehicles	2,257,529	-	-
Pooled property investments	202,134	-	-
Venture Capital/Private equity	4,856	-	-
Brunel Pension Partnership Ltd.	112	-	-
Derivative contracts	1,106	-	-
Cash	-	66,484	-
Other investment balances	-	5,800	-
Debtors	-	552	-
	<b>2,826,488</b>	<b>72,836</b>	<b>-</b>
<b>Financial liabilities</b>			
Derivative contracts	-813	-	-
Other investment balances	-	-	-
Creditors	-	-	-1,296
Borrowings	-	-	-
	<b>-813</b>	<b>-</b>	<b>-1,296</b>
	<b>2,825,675</b>	<b>72,836</b>	<b>-1,296</b>

**N27 (a) Net gains and losses on financial instruments**

	2020/21 £'000	2021/22 £'000
<b>Financial assets</b>		
Fair value through profit and loss	590,652	197,484
Amortised cost - realised gains on de-recognition of assets	-	-
Amortised cost - unrealised gains	-	-
<b>Financial liabilities</b>		
Fair value through profit and loss	-	-
Amortised cost - realised losses on de-recognition of assets	-	-
Amortised cost - unrealised losses	-	-
	590,652	197,484

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

**N28. Bulk transfers in and out of the Pension Fund****Transfers to or from other pension funds**

During 2021/22 a bulk transfer value of £1,069k was paid to another local authority pension fund in respect of a group of employees moving between funds (£0 2020/21).

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

The Code requires consideration of the impact of standards that have been issued but not yet adopted. This is to enable users to evaluate the risk of these new standards on the Pension Fund's current financial position.

Amendments to IFRS1 (First-time adoption), IAS37 (Onerous contracts), IFRS16 (Leases), IAS41 (Agriculture) and IAS16 (Property, plant and Equipment) have been issued. These will not have an impact on the Pension Fund and are therefore considered to be immaterial.

**N30. Taxation where lifetime or annual allowances are exceeded**

Where a member's benefit entitlement exceeds the United Kingdom Inland Revenue tax limits (Lifetime Allowance or the Annual Allowance), the member is liable for taxation. This tax can be paid by the member or has to be paid by the Pension Fund on behalf of the member in exchange for a reduction in benefit entitlement. The Pension Fund has paid £63k on behalf of members during 2021/22 (£67k 2020/21). Any lifetime or annual allowance tax paid on behalf of members is recovered from their future pension payments. No accruals are made for the recovery of this tax element on the grounds of materiality and the very long term nature of its recovery.

**N31. Events after the reporting date**

Following the turmoil in markets towards the latter part of 2022 there is a potential for a reduction in the Pension Fund's future income and investment returns and an increase in expenditure in the form of additional costs.

It is not possible to reliably estimate the duration and severity of these consequences and their impact on the financial position and performance of the Pension Fund. As investments are valued at fair value and any profits and losses only realised upon sale it has been determined that the turmoil in markets should be treated as a non-adjusting event and the financial position for the year ended 31st March 2022 has not been adjusted.

## Fire Pensions Accounts

Fund Account for the year ended 31st March 2022		2021/22				
2020/21		1992 FPS	2006 NFPS	Modified Scheme £000	2015 Care Scheme £000	Total £000
£000		£000	£000	£000	£000	£000
<b>Contributions Receivable</b>						
Fire Authority						
-2,498	Contributions in relation to pensionable pay	-204	-12	-46	-2,244	-2,506
-	Early retirements					-
-	Other: Ill health retirement					-
-	Firefighters' contributions					-
-1,097	Normal	-84	-5	-26	-996	-1,111
-4	Other: Added Years	0				-
-	Transfers in					-
-31	Transfers in from other schemes	-598			-121	-719
-	Additional Grant for Holiday Payments	0				-
-	Benefits Payable					-
6,276	Pensions	6,401	29	63	27	6,519
1,205	Commutations & lump sum retirement benefits	1,320	14	0	1	1,336
6	Lump sum death benefits					-
-	Payments to and on account of leavers					-
-	Refunds of contributions					-
-	Transfers out to other schemes	277	95		92	464
<b>3,858</b>	<b>Net amount payable for the year</b>	<b>7,112</b>	<b>121</b>	<b>-10</b>	<b>-3,241</b>	<b>3,983</b>
-3,858	Top-up grant receivable / payable to Central Government	-7,112	-121	10	3,241	-3,983
-	-	-	-	-	-	-

2020/21		2021/22				
£000		FPS	NFPS	Modified Scheme £000	2015 Care Scheme £000	Total £000
£000		£000	£000	£000	£000	£000
<b>Net current assets and liabilities</b>						
<b>Current Assets</b>						
-3,858	Contributions due from employer					
	Pension top-up grant receivable from central government	-7,112	-121	10	3,241	-3,983
	Recoverable overpayments of pensions					
<b>Current Liabilities</b>						
-2,968	Unpaid pension benefits					
	Amount payable to central government				-3,241	-3,241
	Other current liabilities					
6,826	Amount owing to general fund	7,112	121	-10		7,223
-	-	-	-	-	-	-

### Notes

1. The Firefighters Pension Scheme is a defined benefit occupational pension scheme which is guaranteed and backed by law. From 1st April 2015, the Scheme changed from a Final Salary Scheme to a Career Average Revalued Earnings Scheme (CARE). The Firefighters pension fund is administered by the County Council. There are currently four pension schemes for fire officers, all of which are unfunded defined benefit final salary schemes. Unfunded means that there are no investment assets held to meet the pension liabilities as they fall due. The four schemes are:-

1992 Firefighters Pension Scheme (FPS- Closed to new members)

2006 New Firefighters Pension Scheme (NFPS - Closed to new members)

2006 Modified Firefighters Pension Scheme (Closed to new members)

2015 Firefighters Pension Scheme

Members starting after 1 April 2015, and members of the 1992 and 2006 Final Salary Schemes will move into the new 2015 Scheme, unless protections apply.

The fund is financed by contributions paid in by existing firefighters and the Fire Service with any balance receivable from or payable to the Home Office through the payment of the Fire Pensions Top Up Grant.

2. Employees and employers contribution levels are based on percentages of pensionable pay set nationally by the DCLG/WG and are subject to triennial revaluation by the Government Actuary's Department.

3. 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.

4. The fund has been prepared to meet the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. 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.

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

## **Glossary of terms**

### **Accounting Policies**

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

### **Accounting Standards**

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

### **Accrual**

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

### **Actuary**

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

### **Actuarial Gains and Losses**

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

### **Admitted Body**

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

### **Amortisation**

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

### **Additional Voluntary Contributions (AVC's)**

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

### **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.

## **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.

## **Creditors**

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made by the end of the financial year.

## **Debtors**

Amounts due to the Council for work done, goods received or services rendered but which remain unpaid at the end of the financial year.

## **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.

## **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 that must be shown in the accounts under the CIPFA code of practice (CODE).

## **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.

## **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 involves payment by the lessee (the user) of the full cost of the asset together with a return on the finance provided by the lessor, usually payable over the anticipated life of the asset.

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

## **Government Grants**

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

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

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

## **IFRS**

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

## **International Accounting Standard (IAS) 19**

International Accounting Standard (IAS) 19 outlines the accounting requirements for employee benefits, including short-term benefits (e.g. wages and salaries, annual leave), post-employment benefits such as retirement benefits, other long-term benefits (e.g. long service leave) and termination benefits. The standard establishes the principle that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable, and outlines how each category of employee benefits are measured, providing detailed guidance in particular about post-employment benefits.

## **International Financial Reporting Interpretations Committee (IFRIC) 12**

The objective of IFRIC 12 is to clarify how certain aspects of existing International Accounting Standards are to be applied to service concession arrangements. A service concession arrangement is an arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure assets such as roads, bridges, tunnels, airports, energy distribution networks, prisons or hospitals. The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement.

## **Inventories**

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

## **Impairment**

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

## **Infrastructure Assets**

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

## **Investment Management**

Investment management is the professional asset management of various securities (e.g. shares or bonds) and other assets (e.g. real estate) in order to meet specified investment goals for the benefit of the investors.

## **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.

## **Net Book Value**

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

## **Non-Operational Assets**

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

## **Operating Leases**

A method of obtaining the use of an asset where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the revenue account

## **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 Pay**

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

## **Pension Interest Cost and Expected Return on Pensions Assets**

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

## **Pooled Investment Vehicle**

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

## **Prior Period Adjustments**

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

### **Projected Unit Method**

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

### **Public Works Loans Board (PWLB)**

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

### **Quoted Investments**

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

### **Realised Gains/ (Losses)**

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

### **Related Parties**

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

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

Examples of related parties of the Council include:

- Central Government
- Local Authorities and other bodies precepting or levying demands on the Council Tax
- It's subsidiary and associated companies
- It's joint ventures and joint venture partners
- It's Members
- It's Chief Officers, and
- It's Pension Fund.

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

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

### **Related Party Transaction**

A Related Party Transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

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

## **Remuneration**

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

## **Reserves**

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

## **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.

## **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 Value**

The amount of a transfer payment, i.e. the 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.

## **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.

## **Venture Capital**

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

## Abbreviations

<b>CFR</b>	Capital Financing Requirement
<b>CPI</b>	Consumer Price Index
<b>DCLG</b>	Department of Communities and Local Government
<b>DSG</b>	Dedicated Schools Grant
<b>FPS</b>	Firefighters Pension Scheme
<b>FSA</b>	Financial Services Authority
<b>GCC</b>	Gloucestershire County Council
<b>GFRS</b>	Gloucestershire Fire and Rescue Service
<b>GSWBP</b>	Gloucester South West Bypass
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>IAS</b>	International Accounting Standard
<b>ICO</b>	Information Commissioner's Office
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>ISB</b>	Individual School Budget
<b>LAMS</b>	Local Authority Mortgage Scheme
<b>LASAAC</b>	Local Authority (Scotland) Accounts Advisory Committee
<b>LGPS</b>	Local Government Pension Scheme
<b>LOBO</b>	Lender Option Borrower Option (Loans)
<b>MRP</b>	Minimum Revenue Provision
<b>NFPS</b>	New Firefighters Pension Scheme
<b>NHS</b>	National Health Service
<b>NPV</b>	Net Present Value
<b>PCT</b>	Primary Care Trust
<b>PFI</b>	Public Finance Initiative
<b>PPP</b>	Public-Private Partnership
<b>PPE</b>	Property Plant and Equipment
<b>PWLB</b>	Public Works Loans Board
<b>RCCO</b>	Revenue Contribution to Capital Outlay
<b>RPI</b>	Retail Price Index
<b>RSG</b>	Revenue Support Grant
<b>SORP</b>	Statement of Recommended Practice
<b>TOIL</b>	Time Off in Lieu
<b>TPA</b>	Teachers' Pensions Agency
<b>WG</b>	Welsh Government

More info [gloucestershire.gov.uk](http://gloucestershire.gov.uk)

