

Statement of Accounts **2011-12**



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Foreword by Strategic Finance Director and Section 151 Officer

This document presents the published accounts of Gloucestershire County Council for the financial year ending 31st March 2012. The format and content of the accounts are laid down by the Code of Practice on Local Authority Accounting issued by CIPFA, the professional body of public sector accountants. This is the second year that the Code is based on International Financial Reporting Standards (IFRS). The Council is legally required to follow this Code of Practice. Explanatory notes are included to assist in the interpretation of the accounts, which are unavoidably technical and complex.

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

Last year's move to an IFRS – based Code resulted in a range of significant changes in accounting practice and presentation. This year's Code does not involve such major changes however there are still a number of key changes, which include:

- Additional disclosures in respect of remuneration and exit packages
- Requiring the Annual Governance Statement to comment on a council's financial and management arrangements
- Treatment of Heritage Assets
- Clarifying the requirement for financial instrument disclosures in respect of leases and PFI schemes
- Valuation of surplus assets

Financial Statements

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

A complete set of Financial Statements for the period comprise:

- *Movement in Reserves Statement*
This statement shows the movement in the year on the different reserves held by the Council. The Provision of Services line shows the true economic cost of providing services, more details of which can be seen in the Comprehensive Income & Expenditure Statement.
- *Comprehensive Income & Expenditure Statement*
This statement shows the accounting cost in the year of providing services in accordance with accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement.
- *Balance Sheet as at end of the period*
The Balance Sheet shows the value of the Council's assets and liabilities as at the Balance Sheet date. Reserves are reported as either "usable reserves" or "other reserves". The Council cannot use "other reserves" to provide services.

- *Cash Flow Statement*

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. At 31st March 2011 the Council had cash and cash equivalents valued at £115m

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

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

Although the Annual Governance Statement is included in this document, the 2011 Code makes it clear that it is not formally part of the Statement of Accounts and is not covered directly by the Chief Finance Officer's certification or the audit report. The 2011 Code, for the first time, requires the Statement to include a specific statement on whether a Council's financial and management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. There is also a requirement that this Statement, which is signed by the Leader, Chief Executive and Strategic Finance Director (S151 Officer), is considered by the Audit Committee.

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

Summary of the 2011/12 Financial Year

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

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

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

- Achieving "Meeting the Challenge" savings target of £27.7 million for 2011/12.
- An end of year under-spend of £5.6 million after approved transfer to reserves during the year for 2011/12.
- Ofsted rating the Council's Adoption Service as "Good".
- Improving our Safeguarding Services, which have now been rated by Ofsted as "Adequate", with "Good" capacity for improvement.

- Sustained financial control in Adult Social Care, whilst meeting additional demand.
- Maintaining and improving effective relationships with Health.
- Being granted pathfinder status for the Local Health Watch.
- Department for Transport awarding £14.1 million towards the Elmbridge Transport Scheme subject to planning. The overall scheme is estimated to cost £16.1 million.
- Successfully launching of the Big Community Offer “Highways -Your Way”.

Revenue Budget

The original revenue budget for 2011/12 was £396.156 million. Within the constraints of the limited funds available the Council sought to move resources into the higher priority areas, taking account of key priorities maintaining low Council Tax levels, minimising service reductions and eliminating wasted resources.

The Budget for 2011/12 contained:

- £9.1 million investment to meet costs of additional vulnerable adults.
- £6.6 million to cover for increased costs due to inflation.
- Funding for £54.3 million new capital investment on schools, roads and other services, and revenue provision for the Fire PFI.
- £5.9 million for the costs of taking responsibility for the countywide concessionary fares scheme.
- £36 million of savings.

The Council choose to freeze Council Tax in 2011/12 and consequently had the resultant loss to our tax base funded through Government grant, at a rate of 2.5% or £6.1 million.

Inherent within the budget were the following factors:

- Account was taken of current spending trends and, where known, costs were built into the 2011/12 budget, including the explicit consideration of budget risks.
- The level of resources within the transformation reserve was significantly increased to meet the costs of reducing staff numbers over the next four years.
- The highest risk areas were demand led services, especially care for elderly and vulnerable people and looked after children, where numbers of clients are continually rising, and waste management where significant investment is required to ensure that the Council meets landfill targets and thereby avoids large financial penalties in the future.
- Although additional resources were invested in some of these areas under the budget, robust and regular budget monitoring was, again, essential.
- The single highest risk area was in relation to the external care of older people and adults with physical disabilities and learning difficulties. Although increased investment exceeded savings in this area, it remained a high risk given the levels of overspend experienced in the past. This was an area which required detailed, and early, monitoring and reporting in 2011/12, with corrective action being taken as necessary.
- Provision was made for pension increases and inflationary pressures.

Due to the introduction of the Local Services Support Grant (LSSG) our revenue budget for 2011/12 was subsequently increased by £1.359 million, giving a revised budget of £397.515 million.

Council Revenue Expenditure During 2011/12

The Council's actual expenditure in 2011/12, net of income after approved transfers to reserves during the year, totalled £391.942 million, giving an under spend of £5.58 million against the revised budget of £397.515 million. Subject to Cabinet approval in July, this under spend reduces to a balanced position following transfers to earmarked reserves of £4.20 million and £1.38 million to general balances. Uncommitted general balances at 31st March 2012 were £18.49 million compared to £15.89 million at the start of the year. The level of balances is now 4.7% of the net revenue budget for 2012/13, i.e. in the middle of the target range of between 4% and 6% of the net revenue budget.

It is important to note that the Statement of Accounts and the Directorate spend/management accounts are prepared on different bases. The Directorate outturn under-spend against revised budget 2011/12, after transfer to reserves, is £1.38 million compared to the reported income and expenditure deficit of £2.556 million. The statement below reconciles the two positions.

Reconciliation between reported Directorate Outturn and Statement of Accounts for 2011/12.

	£'000	£'000
County Fund		
Balance as at 31 st March 2011	15,894	
Balance as at 31 st March 2012	<u>18,497</u>	
Increase in County Fund balance		<u>2,603</u>
Outturn		
Budgeted Contribution to General Fund	1,224	
Reported Outturn	5,580	
Proposed Reserve Movements	<u>-4,201</u>	
		<u>2,603</u>
Statement of Accounts		
Reported Income and Expenditure figure	2,556	
Reported movement on General Fund balance	-3,292	
Transfers from County Fund to earmarked reserves	<u>-1,867</u>	
		<u>-2,603</u>

In accordance with the format required by the Accounting Code of Practice, the Comprehensive Income and Expenditure Statement shows the total income and expenditure for the year. For 2011/12 the Comprehensive Income and Expenditure Statement indicates a net deficit for the year of £69.46 million compared to a surplus in 2010/11 of £358.26 million. The 2010/11 figure reflected a surplus on the accounting cost of providing services of £125.44 million and a surplus on "Other Comprehensive Income and Expenditure" of £232.82 million.

The 2010/11 surplus on the accounting cost of providing services of £125.44 million included a £119.32 million one-off exceptional item surplus to reflect the change from Retail Prices Index (RPI) to Consumer Prices Index (CPI), as per the June 2010 Chancellor's budget statement, when calculating future pension increases for both the Local Government and Firefighters Pension Schemes. Such a change in policy is only recognized in the Income and Expenditure Statement of the year in which it is introduced. The surplus on "Other Comprehensive Income and Expenditure" of £232.82 million was mainly due to a £206.97 million improvement in the position of pension assets/liabilities, as recognised by the pension actuary. In 2011/12 the pension assets/liabilities position deteriorated by £72.70 million.

Losses incurred following disposal of non-current assets within the Comprehensive Income and Expenditure Statement of £12.24 million in 2010/11 and £52.35 million in 2011/12 mainly reflect the transfer of assets to academy schools.

The pension and transfer of assets to academy schools changes alone amount to an adverse movement of £439.1 million between 2010/11 and 2011/12 and is the main reason why the Total Comprehensive Income and Expenditure balance is showing a £358.26 million surplus in 2010/11 and a £69.46 million deficit in 2011/12.

The deficit on the accounting cost of providing services of £2.556 million moves to a net surplus for the year of £2.60 million, as shown in the Movement of Reserves Statement on page 39, after taking account of additional items required under regulations (as outlined in the Code of Practice and Note 1 within the accounts).

Balance Sheet Position

Our net worth has reduced from a £269.14 million surplus (as restated) to a £199.68 million surplus between 2010/11 and 2011/12. The gains and losses in our net worth are shown in the Movement of Reserves Statement and the Balance Sheet.

Change in net worth on the Balance Sheet is mainly due to a £73 million loss on Pension Fund assets and liabilities revaluation and a £2.556 million deficit on the 2011/12 Comprehensive Income & Expenditure Statement, offset by a £6 million increase to reflect revaluation of assets.

The increase in the net pension fund liability reflects deteriorating market conditions. The Pension Fund deficit does not place an immediate burden on the Council's reserves but simply provides a snapshot (at 31st March 2012). The deficit on the fund will be actively managed and addressed by increased contributions over the remaining working life of employees. The level of employer contributions will be reviewed by the actuary on a regular basis.

While these deficits have adversely affected the net worth of the Council, as recorded in the Balance Sheet, arrangements for managing the Pension Fund deficit mean that the Council's overall financial position essentially remains the same, which is in a relatively healthy and stable position.

Capital Expenditure

For Council services the forecast payments for 2011/12 totalled £89.9 million. The actual spend was £86.0 million, giving an under-spend against forecast of £3.9 million.

This expenditure was financed by a combination of internal borrowing, grants, contributions and revenue. Details can be found in Note 33. Internal borrowing of £11.5 million was used partly to fund the capital programme. Total loans outstanding at the end of the year were £343.7 million and the costs of servicing debt in the year were £17.5 million.

The Council's underlying need to borrow is measured by the Capital Financing Requirement, which at 31st March 2012 was £416.0 million (Note 33). The current debt portfolio (principal amounts only) is £343.7 million leaving an internally borrowed position of £72.2 million. This figure is maintained through the use of balances and reserves, and is continually monitored to ensure that it is sustainable.

Pension Liabilities

The liability shown in connection with the defined benefit pension scheme has increased by £59 million. Further information can be found in Note 39 and the Pension Fund Accounts.

Iceland Banks Collapse

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

Following the successful outcome of the legal action in Iceland, the Council has now received back a significant proportion of the original £12.5 million investment with the three Icelandic Banks. To date £9.62 million (77% of the original principal invested) has been received back.

Following the collapse of the Icelandic Banks an impairment reserve was created in 2009/10, and currently stands at £3.237m following the transfer out of £3.965m to the Economic Stimulus Reserve. Further transfers will be made from the impairment reserve during 2012/13.

Note 37 explains the accounting treatment and impairments in more detail. This accounting treatment for the Icelandic banks is in accordance with treatments laid down by CIPFA.

Investment Activity

During 2011/12 treasury management has been conducted according to the Policy Statement approved by the County Council in February 2011. The approved 2011/12 strategy was one of minimising risk and ensuring liquidity above investment returns in line with revised investment guidance.

242 loans were placed during the year, at a value of £1,107.92m. In October 2011 all longer term deals with UK Banks and the Nationwide Building Society were suspended following a downgrade. As a result of this more deals took place with other Local Authorities, and short term Money Market facilities were used more extensively.

The opening balance of loans held at 1st April 2011 was £100.078m, and the value of loans held at 31st March 2012 was £131.457m. Total interest earned on in house deposits was £1.78m.

The Future

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

The Council has developed a Medium Term Financial Strategy covering a four year period, to 2014/15, which reflects reductions in funding, service growth pressures and legislative changes. This Financial Strategy includes plans to deliver in excess of £114 million of savings over the period, under the Meeting the Challenge initiative.

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

Balancing the Council's budget over this period of financial constraint will require a series of major changes. Whilst robust programme management plans are being put into place to deliver these savings there is inevitably some residual risk. Adequate reserves will be necessary to meet any significant shortfalls.

Producing the Statement of Accounts

As ever, the production of these accounts has involved a considerable amount of effort and dedication from a wide range of staff. I would like to express my sincere thanks to all those involved in this major exercise

Jo Walker
Strategic Finance Director & Section 151 Officer

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31st March 2012. The accounts have been prepared in accordance with the *Code of Practice on Local Council Accounting in the United Kingdom 2011/12* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) (referred to as "the Code" in the following notes) and the *Accounts and Audit Regulations 2011*. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

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

Cash and Cash Equivalents

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

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

Carbon Reduction Commitment Scheme

It is a statutory requirement that the authority participates in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances (£/tonne CO₂), currently retrospectively, on the basis of emissions of carbon dioxide produced and these are calculated based on the energy used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability is discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the market price for the number of allowances required at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy.

It is possible to buy allowances for future years – this will only be permitted if the business case indicates a benefit to the Council and the business case is based on an agreed estimate of future need. Allowances will not be bought for the sole purpose of making a profit in future years should trading become allowable under the scheme.

The timetable for the CRC will be:

- To place a Provision for the estimated amount (£'s) required for the CRC liability in the relevant accounting year e.g. 2011/2012, during the closedown period April/May each year.
- The Council will then purchase the amount of CRC allowances required during July of the following financial year e.g. 2012/13, and draw down from the provision to fund this expenditure. It is possible that more CRC allowances will be purchased than are needed for the Financial Year as the purchase will be based on an estimate. These will be held until the following Financial Year.

CIPFA/LASAAC Local Authority Code Board's code update for 2012/13 will enable this policy to be updated for the correct treatment of prospectively bought allowances.

Changes in Accounting Policies / Prior Period Adjustments

The adoption of FRS 30 Heritage Assets by the Code has resulted in a change in accounting policy. The Council is required to recognise Heritage Assets as a separate class of assets for the first time in 2011/12 financial statements where material in accordance with FRS 30. The Council are also required to restate 2010/11 accounts so comparative figures are available.

The Council have also made an adjustment to the 2010-11 comparative figures to correct an overstatement to the costs associated with fire injuries IAS19 pensions totalling £7.9m.

Charges to Revenue for Non-Current Assets

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

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

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

Events after the Balance Sheet Date

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

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

Local Government Pension Scheme

The Gloucestershire Local Government Pension Scheme for civilian employees is administered by the Council. The assets of the scheme are separately held in a Committee Administered Fund with the Council acting as trustees. It is a statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 1997 and 2007/2008, as amended and a separate annual audit is carried out by the Audit Commission.

The scheme is contracted out of the State Second Pension and is a funded, defined benefit, final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Retirement benefits are determined independently of the investment of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits.

Firefighter's Pension Scheme and the New Firefighter's Pension Scheme

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

Teachers

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

Financial Instruments

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

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

Financial Liabilities

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

Non-Current Assets Held for Sale

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with an accumulated gains or losses previously recognised in the available for sale reserve.

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

Foreign Currency Translation

The Council does not generally deal in transactions denominated in a foreign currency. However, due to Icelandic investments that we hold we have been subject to a number of foreign transactions during 2011/12. These transactions were converted into sterling at the exchange rate applicable on the date the transaction was effective. There are outstanding Icelandic deposits now held in Icelandic Krona at year end. These are reconverted at the spot exchange rate at 31st March as advised under LAAP 82 Update 6. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

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

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

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

Local Support Services Grant

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

Inventories and Work in Progress

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

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

Investment Property

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

Jointly Controlled Operations and Jointly Controlled Assets

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

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

Leases

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not allowed to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

Overheads and Support Service Costs

These costs are charged to service areas using a variety of apportionment bases appropriate to the particular service provided, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2011/12 (SeRCOP). The two cost categories identified under SeRCOP that are not charged out to service are Corporate and Democratic Core Costs, and Non Distributed Costs. These are accounted for under separate headings within the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment

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

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the 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.

Non-current assets are valued as recommended by CIPFA, and in accordance with the Statement of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Assets are classified into the groupings required by the Code. The basis of valuation is explained in Note 5.

Assets are assessed at year end as to whether there is any indication that an asset may be impaired. Impairment is caused either by a consumption of economic benefits or a general fall in prices. The Council have not adjusted for Capital impairment in 2011/12 as explained in Note 37.

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

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

In the Comprehensive Income and Expenditure Statement service revenue accounts are charged with depreciation on all operational assets (where appropriate) except land & assets held for sale, i.e. all tangible non-current assets used on the delivery of services. Depreciation on non-operational assets such as surplus property is charged to Non Distributed Costs. Assets under construction do not generate a charge.

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

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

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

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

Accounting Treatment for Schools

Community Schools:

As the Council is normally the freeholder of Community School premises and has a significant role in the running of the school, the school premises are recognised under Property, Plant and Equipment in accordance with the IAS 16.

Voluntary Controlled Schools:

Schools are owned by a charity but the Council is responsible for the running of the school, employing the staff and determining and administrating the admissions policy. The Council will sometimes own the freehold of the land and buildings, but the schools buildings are maintained and controlled by the respective charities and the Council's only statutory duty is for the playing fields. Based on substance over form, the Council has determined that it holds significant control and therefore that all the land and buildings and not just the playing fields will be recognised by the Council under Property, Plant and Equipment on the balance sheet of the Council.

Voluntary Aided Schools:

Schools are owned and managed by a charity but the Council partially funds and also provides support services to the school. Although the Council will sometimes own the freehold of the land and buildings, the schools buildings are maintained and controlled by the respective charities and the Council's only statutory duty is for the playing fields. Hence it has been determined that the playing field element of the schools premises will be recognised by the Council under Property, Plant and Equipment but that the building element fails the test of the Council holding significant control to allow them to be retained on the balance sheet of the Council.

IFRIC 12 has been deemed not to apply as the Council does not control to whom the services are provided as Governors are the admissions authority and the Government controls the service and sets curriculum. IFRIC 4 has been deemed not to apply as the Council does not rely on the use of a specific school to ensure sufficient schools available and hence the arrangement does not rely on specific assets.

Foundation Schools: Schools are owned and managed including the provision of any support services by the governing body, although funded by the Council. The Council is required to transfer all land and buildings including the playing fields to the Foundation School. As such the Council does not own and has derecognised the land and buildings from Property, Plant and Equipment within its balance sheet.

IFRIC 12 has been deemed not to apply as the Council does not control to whom the services are provided as Governors are the admissions authority and the Government controls the service and sets curriculum. IFRIC 4 has been deemed not to apply as the Council does not rely on the use of a specific school to ensure sufficient schools available and hence the arrangement does not rely on specific assets.

Academies:

Schools are owned and managed completely independently of the Council with funding provided directly by central government. The Council has granted long leases as part of the Academies transfer which includes a peppercorn rent, the NPV of future minimum lease payments will be nil and the finance lease receivable will be nil. Therefore the buildings or playing fields will not be recognised on the Council's balance sheet despite the assets meeting the IAS 17 lease conditions of a finance lease.

IFRIC 12 has been deemed not to apply as the Council does not control to whom the services are provided as Governors are the admissions authority and the Government controls the service and sets curriculum. IFRIC 4 has been deemed not to apply as the Council has leased the land to the Academy and therefore covered by lease arrangement under IAS 17 and treated in accordance with the leases policy above.

Componentisation of Capital Assets

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

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

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

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

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

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

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

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

The Council has set a de-minimus of £1m per asset, therefore any individual asset that is due for revaluation, has been acquired or has enhanced expenditure above £1m during 2011/12, has been split into components and depreciation calculated using the varying expected useful lives.

Depreciation / Amortisation

Assets, except land and assets held for sale, are depreciated over their useful economic lives using the straight-line method and the following periods:

<i>Buildings</i>	Permanent	Up to 70 years
	Temporary	20-25 years
	Leased	Period of lease
<i>Infrastructure</i>	roads and street lighting	25 years
	bridges	120 years
	footpaths and footbridges	7 years
	vehicles, plant, furniture and equipment	5 – 10 years

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

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

Intangible Assets

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

Donated Assets

Donated assets are assets transferred at nil value or acquired at less than fair value. After initial recognition, donated assets shall be revalued and depreciated in line with the Code.

Community Assets

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

Heritage Assets

The definition of a heritage asset is "a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture". Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections, and works of art.

The Council have identified two bridges as Heritage Assets:

- Brunel Swing Bridge at Llanthony, Gloucester Docks, which is a non-operational bridge that has been listed. It has an indefinite life and has been valued using the gross replacement costs model produced by CIPFA at £557,248; and
- Depot Bridge, located within Cotswold Water Park, which is a non-operational bridge that has been listed. It has an indefinite life and has been valued using the gross replacement costs model produced by CIPFA at £307,201.

The Council has also identified the 17th Century Tapestry located by the Council Chamber landing in Shire Hall as a tangible heritage asset and has brought this onto the Balance Sheet using a recent insurance valuation of £30,000.

Intangible heritage assets are defined as an intangible asset with cultural, environmental, or historical significance. Examples of intangible heritage assets include recordings of significant historical events; the council do not hold any intangible heritage assets.

The Council will assess the heritage assets each year to record any acquisitions, enhancement expenditure or disposals of heritage assets and update the asset register. Any individual asset above the value of £25,000 will be brought onto the Balance Sheet.

Whilst depreciation (or amortisation in the case of intangible heritage assets) and impairment are relevant to heritage assets, the Code states that depreciation is not required on heritage assets which have indefinite lives. Similarly, impairment reviews are only required in respect of heritage assets in limited circumstances. Examples of this would be where an asset has suffered physical deterioration or breakage.

Non-Disclosure of Archives as a Heritage Asset

Gloucestershire Archives holds the historic and administrative archives for the county of Gloucestershire and, in partnership with South Gloucestershire Council, for South Gloucestershire. These comprise some nine miles of records dating from the twelfth century to the present day. They are held for the express purpose of ensuring their preservation and providing public access to information recording the heritage of the two counties both now and for future generations. The archives, ranging from a single piece of paper to thousands of documents, are held under a variety of terms, the most common ones being deposit (long-term loan), gift or purchase.

Basis for Redemption of Debt

The Council finances a proportion of its capital investment by raising loans. In accordance with the Local Authorities Capital Financing and Accounting Regulations 2003 as updated, the Comprehensive Income and Expenditure Statement has been charged with an amount that is sufficient to redeem a specified statutory percentage of outstanding debt. The statutory figure is called the Minimum Revenue Provision (MRP). In accordance with the legislation the Council apply a 4% reducing balance for existing debt, and an asset life methodology for debt from 2008/09 whereby the charge is equal over the life of the asset (Notes 1 & 17).

Private Finance Initiative (PFI) scheme

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

Fire Training Centre

The Council, in partnership with Avon Fire Authority and Devon and Somerset Fire Authority has invested in a PFI project to provide a Fire and Rescue Service training centre (see Note 36). The Government provides revenue support to the project in the form of grants (PFI credits), and the three authorities finance the balance by making contributions from within their own resources. Originally the annual grant was received on a sliding scale, with a disproportionate amount being received in the first nine years of the contract.

In order to spread the contributions more evenly over the life of the contract an equalisation fund is operated whereby surplus Government grants and Authority contributions in the early years were invested and used to reduce contributions in the later years. From 1st April 2005 a new system of grant payment was introduced which makes equal instalments throughout the life of the contract.

The fund was reviewed during 2005/06 and it was agreed that the three authorities reduce their funding by £90,000 per annum due to the estimated surplus in the final balance. A further review in 2010/11 estimated a deficit in the final balance and it was agreed that the authorities would increase their overall funding by £13,000 each year for eleven years. The deficit was caused by both higher indices used for calculating payments and lower interest rates received in fund balances. The Council's share of this fund (25%) is included in the Balance Sheet as a reserve; the other partner's shares, Avon Fire Authority (50%) and Devon and Somerset Fire Authority (25%) are included as long-term liabilities.

The provisions included in the Code require PFI and similar contracts to be accounted for in accordance with IFRIC 12. As a result of this our share of the asset has been brought onto the Balance Sheet. Details are included in Note 36.

Community Fire Stations / Life Skills Centres

The Council has been involved in a new PFI project to build 4 new Fire Stations and a Life Skills Centre (SkillZONE). Two of the Fire Stations were completed in 2011/12 and have therefore been recorded on the Council's balance sheet. The remaining assets will be completed during 2012/13 and will be recognised once completed.

Completed 2011/12:

- Gloucester North (Cheltenham Rd East)
- Cheltenham West (Uckington)

Expected completion 2012/13:

- Gloucester South (Shepherd Road)
- SkillZONE (Tuffley Lane)
- Cheltenham East (Keynsham Rd)

Provisions

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

Details of provisions are shown in Note 16.

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

Contingent Liabilities

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

Contingent Assets

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

Landfill Allowance Scheme (LATS)

LATS whether allocated by DEFRA or purchased from another waste disposal authority are recognised as current assets and are initially measured at fair value. LATS allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value. As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured by the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty. The permits allocated and used during the year have been valued at £nil in line with other local authorities. The Council does not hold any unused allowances at year end.

Reserves

In addition to its general revenue balances, the Council has maintained specific reserves for future expenditure and to protect against unexpected events. Details are shown in Notes 2 & 17. Certain reserves are kept to manage the accounting processes for tangible non-current assets and retirement benefits. These reserves do not represent usable resources to the Council, and are explained further in the appropriate policies and notes to the accounts.

Revenue Expenditure Funded from Capital under Statute

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

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. Input VAT receivable is netted off expenditure as it is incurred.

Exceptional Items

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has adopted the change to IFRS7 Financial Instruments: Disclosures issued in October 2010. The amendments to IFRS7 are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Council's financial position.

The Council is required to disclose information relating to the impact of an accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council for the current reporting year (2011/12). The Council does not enter into arrangements relating to the transfer of financial assets and therefore the amendment to IFRS7 is not likely to have any impact on the County Council's financial statements.

Critical Judgements in applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has money deposited with the Icelandic banks that are in administration. A final decision by the courts for Landsbanki and Glitnir Banks has now been reached and the Council has been confirmed to have the status of a preferred creditor. The Council has followed LAAP 82 (Update 6), and a separate note detailing expected repayments and the level of impairment is included at Note 37.

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

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

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

Statement of Responsibilities

The Council is required to:

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

The Strategic Finance Director Responsibilities

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

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

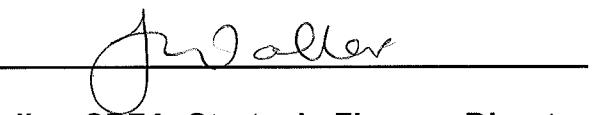
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority CODE.

The Strategic Finance Director has also:

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

Certification

I certify that the Statement of Accounts 2011/12 gives a true and fair view of the financial position and Income and Expenditure account of Gloucestershire County Council for the year ended 31st March 2012.


Jo Walker CPFA, Strategic Finance Director
27th September 2012

The Audit Committee of the County Council approved the Statement of Accounts on 27th September 2012.


Councillor Phil McLellan, Chairperson
27th September 2012

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

Opinion on the Council and firefighters' pension fund financial statements

I have audited the financial statements and the firefighters' pension fund financial statements of Gloucestershire County Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The firefighters' pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Gloucestershire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Finance Director and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Gloucestershire County Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and

disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Gloucestershire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Finance Director and auditor

As explained more fully in the Statement of the Strategic Finance Director's Responsibilities, the Strategic Finance Director is responsible for the preparation of the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and

Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

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

Respective responsibilities of the Council and the auditor

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

I report if significant matters have come to my attention which prevent me from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Council has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Gloucestershire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements or a significant impact on my value for money conclusion.

Martin Robinson

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

27 September 2012

AUDIT CERTIFICATE – GLOUCESTERSHIRE COUNTY COUNCIL

Issue of audit opinion on the accounting statements

In the Senior Statutory Auditor's (Martin Robinson's) audit report for the year ended 31 March 2012 issued on 27 September 2012 he reported that, in his opinion, the accounting statements:

- gave a true and fair view of the state of Gloucestershire County Council's affairs as at 31 March 2012 and of its income and expenditure for the year then ended;
- gave a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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

In the Senior Statutory Auditor's (Martin Robinson's) audit report for the year ended 31 March 2012 issued on 27 September 2012 he reported that, in his opinion, the pension fund's accounting statements:

- gave a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Issue of value for money conclusion

In the Senior Statutory Auditor's (Martin Robinson's) audit report for the year ended 31 March 2012 issued on 27 September 2012, he reported that in his opinion, in all significant respects, Gloucestershire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

In the Senior Statutory Auditor's (Martin Robinson's) report dated 27 September 2012, he explained that the audit could not be formally concluded on that date until consideration of matters brought to his attention by local authority electors had been completed. These matters have now been dealt with. No other matters have come to my attention since that date that would have a material impact on the financial statements on which he gave an unqualified opinion and value for money conclusion.

As the Senior Statutory Auditor from 1 November 2012, I certify that I have completed the audit of the accounts of Gloucestershire County Council in

accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Elizabeth Cave

A handwritten signature in black ink that reads "Elizabeth Cave". The signature is fluid and cursive, with "Elizabeth" on the top line and "Cave" on the bottom line.

Senior Statutory Auditor,
for and on behalf of Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT
21 March 2013

Gloucestershire County Council
Annual Governance Statement 2011/12

1 Scope of Responsibility

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

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

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

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

2 The Purpose of the Governance Framework

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

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

The governance framework has been in place at the County Council for the year ended 31st March 2012 and up to the date of the consideration of the Accounts by the Audit Committee on 29th June 2012.

3 The Governance Framework

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

- 1 The purpose of the authority and on outcomes for the community, creating and implementing a vision for the local area.
- 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- 3 Promoting values for the authority, and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- 4 Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk.
- 5 Developing the capacity and capability of members and officers to be effective.
- 6 Engaging with local people and other stakeholders to ensure robust public accountability

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

- Performance Management and Business Planning Arrangements
- Risk Management Arrangements
- Cabinet and Lead Member decision making arrangements
- Scrutiny arrangements
- Effectiveness of the Audit Committee
- Financial management and reporting arrangements
- Audit arrangements
- Standards of conduct of officers and members, including the role of the Standards Committee
- Adherence to the law
- Partnership Arrangements
- Annual Assurance Statements from Directors
- Pension Fund

4 Review of effectiveness of governance arrangements

4.1 Gloucestershire County Council

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

In undertaking this review GCC has :-

- Set out the key documents and processes which incorporate its governance system.
- Sought independent assurances from external assessments where available.
- Obtained detailed risk based assurance statements from Directors, countersigned by either the Chief Executive, Deputy Chief Executive or Chief Operating Officer depending on line management responsibilities covering all areas of the business, to confirm that adequate governance arrangements are in place in relation to:
 - Service delivery
 - Key partnerships
 - Risk management and internal control
 - Performance management
 - Financial management
 - Adherence to laws, regulations, rules and procedures

- Human resources issues
- Management of natural resources
- Asset management
- Information governance

Where less than adequate assurance has been received back from any Director in relation to a key issue, this is reported later within this governance statement.

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

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

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

Governance framework – results of an examination of a sample of key corporate governance processes.

A detailed internal audit of the assurance gathering process for the Annual Governance Statement was undertaken when the requirements for this statement were first introduced. This audit, which examined the processes followed, concluded that the Head of Finance, in his capacity as the Chief Internal Auditor for the authority, was the appropriate officer to undertake the review of the effectiveness of the systems of internal control, given his relevant experience in risk management and internal control. It also concluded that the sources of assurance that had been used as part of the review were appropriate and in accordance with best practice guidance issued at that time. Hence, since best practice guidance has not changed, the same procedures were followed in relation to the 2011/12 Annual Governance Statements.

We can also now confirm that the processes used to formulate the 2011/12 Annual Governance Statement are consistent with the “Application note to delivering good governance in Local Government : a framework” issued by CIPFA.

Performance Management/Business Planning Arrangements and Independent Reviews of the Council

This area has been covered in numerous inspections in recent years, with positive comments always being made. Performance Management and Business Planning are now an integral part of working arrangements within GCC, both at officer and member level, with strategic performance reports being submitted to the Performance Board, Corporate Management Team, Cabinet and the Budget and Performance Scrutiny Committee, and performance against Business Plans being monitored by the appropriate scrutiny Committees.

In terms of the Governance statement for 2011/12, further key assurance has been obtained from the most recent Annual Audit Letter produced by the External Auditors and reported to the Audit Committee in January 2012. In this letter the auditor sets out his responsibilities for giving an assessment on the adequacy of the County Council's financial arrangements and statements, internal control arrangements and arrangements for securing financial resilience and securing value for money.

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

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

Ofsted Inspection Report on Safeguarding and Looked After Children

Ofsted/CQC conducted an inspection of safeguarding and Looked After Children services in November 2010 and concluded that the overall effectiveness of local safeguarding services was inadequate. Criticisms of the service were mostly focussed on service quality and direct practice with children and their families, whilst the inspection was of all local services many of the recommendations were focussed on improvements needed in children's social care services. Following the inspection the Department for Education (DfE) issued an improvement notice which required the council and its partners to take steps to improve the quality of local services.

The issues raised by the previous inspection were all familiar to the council and its partners, indeed an improvement programme had already been in place and there was confidence in our ability to improve, endorsed by inspectors. The Right First Time programme was also established to focus on long term changes and plans needed to bring together services and professionals in local areas to improve early intervention and support provided to our most vulnerable families. An unannounced inspection of safeguarding 'front door' services was conducted in August 2011 and noted improvements with no requirements for priority action.

Since November 2010 the focus on improvement has been maintained with close monitoring of performance and quality through the Improvement Monitoring Board chaired by the Chief Executive, external support/challenge from Surrey County Council and the DfE and regular reviews of casework. The Children's Safeguarding Board has also been challenging the impact of improvements and ensuring that it meets statutory requirements; the Children and Young People's Scrutiny Committee has implemented a framework for testing the effectiveness of local safeguarding arrangements.

Ofsted inspectors re-visited the county between 6 February and 10 February 2012 to assess progress made since the November 2010 inspection. The published report of the inspectors was reported to Cabinet on 18th April 2012 and is available on the GCC website.

In summary the inspectors concluded that the council and its partners:

- Have focused on the right things
- Have a good understanding of ourselves
- Made quick progress where it matters
- Have utilised additional resources well
- Have strong, sustainable management and leadership
- Need to further develop quality of practice and quality assurance
- Should shift the focus onto the contributions of all partners across the system

Although the findings of this inspection are very positive, in order to guard against complacency in such a high risk area, a number of actions were agreed by Cabinet to respond to the inspections findings, which are detailed in section 5 of this Annual Governance Statement.

In addition to the independent Ofsted reviews, the authority also commissioned an independent review of the Cotswold Water Park in 2011/12, examining such things as governance arrangements, adherence to policies and decision making processes.

This report, including recommendations, was considered by the Authority's Audit Committee on 12th March. The recommendations cover the Complaints system, Freedom of Information, Scheme of Delegation, Disposals of Property, Code of Conduct (for members and officers), Cabinet and Joint arrangements, Scrutiny and Intervention, Roles of the Chief Financial Officer, Role of the Monitoring Officer and Governance/ Planning Policy/ Landscape Design/ Rural Development. Those recommendations, which include suggestions for the future course of the County Council's relationship with CWP as well as matters concerning the general governance of the Council, have now been incorporated into an action plan that will be overseen by Audit Committee.

The findings of this external review are of sufficient significance to be included within the key governance issues arising from the annual governance review, as set out in section 5 of the statement.

Risk Management Arrangements

Risk Management arrangements were independently reviewed as part of the Use of Resources assessment undertaken by the Audit Commission. At the last review, the Audit Commission concluded that 'GCC has demonstrated it has strong and effective arrangements for risk management in place and ensures risk management is embedded in its business processes, including strategic and financial planning and performance management. In addition, the management of risk is continuous, and it is alert to new and emerging risk being evident at both a corporate and a project level'.

In addition, Internal Audit provides an opinion on the effectiveness of risk management arrangements on each audit activity, the outcomes during 2011/2012 highlighted that there were no limited risk opinions provided, which is an improvement on 2010/2011, where 10% of the audited activity provided a limited risk opinion, there was an increase in substantial opinions provided from 45% to 51% and an increase in the adequate opinions from 45% to 49%.

Internal Audit also undertake, on a rotational basis, reviews on the effectiveness of risk management arrangements, operating across all service areas, looking at the Strategic and Operational Performance/Business Plans and associated Risk Registers, to ensure that actions recorded to mitigate risks are in place and operating as intended. This year Internal Audit reviewed the arrangements operating within Strategic Finance and gave substantial assurance.

These internal and external assessments, coupled with the external recognition received for the numerous risk management initiatives undertaken over past years, and the detailed risk based assurance statements obtained from all Directors as part of the formulation of the Annual Governance Statement, has led to conclude that robust risk management arrangements operate within the authority.

Cabinet and Individual Cabinet Members decision making arrangements / Scrutiny arrangements

Cabinet and Individual Cabinet Members decision making arrangements continued to operate effectively during 2011/12, with the enhancement of the continued inclusion of members and public questions on all Cabinet agendas, designed to further improve accountability and openness within the authority.

In terms of Scrutiny, six task groups have been looking at specific issues during 2011/12. These included the scrutiny of the draft 2012/13 budget, transitions from children's services to adult life for disabled young people, Trading Standards, Severn Estuary shoreline management, external care packages and unscheduled care pathways at Gloucester Royal Hospital and Cheltenham General Hospital. Recommendations from task groups are monitored after 6, 12 and 18 months, and progress reports were presented to the Overview and Scrutiny Management Committee in September 2011 and April 2012.

Judicial Review proceedings were brought against the Council in 2011, challenging the Library Strategy which had formed part of the 2011 Meeting the Challenge programme. A reduction in budget had led to a reorganisation of the Library Service proposing in particular that 10 libraries no longer form part of the county library service by offering local groups the opportunity to run them as community libraries. The legal challenge to the Council's decision making process, brought by a user of Hester's Way Library in Cheltenham alleged that the Council had failed to comply with Section 7 of the Public Libraries and Museum Act 1964, had failed to consult properly on the draft strategy and had failed to comply with the public sector equality duty.

The court found that the first two grounds of challenge were not proven but that the Council had failed to have sufficiently due regard to the public sector equality duty and quashed the decision agreeing the new Strategy.

Following this decision, as set out in the detailed report to Cabinet on 5 April 2012, a new draft library strategy was the subject of a major consultation exercise across the whole of Gloucestershire at which over 3,900 responses were received.

The findings of this consultation exercise, together with numerous other documents including a context and user needs assessment and equality and community impact assessment were reported to the 5 April 2012 Cabinet.

Following consideration of the detailed Cabinet report and attachments, the Cabinet agreed the provision of a static library network which provides 9 council-run main libraries and 22 council-run local libraries under its Statutory provision, enhanced by non statutory provision of 7 community-run libraries.

Financial management and reporting arrangements

In his latest Annual Audit Letter the External Auditor issued an unqualified audit opinion, confirmed that proper arrangements were in place to secure value for money and did not identify any material weaknesses in the Council's internal control arrangements.

During 2011/12 regular financial monitoring reports were presented to Cabinet and Scrutiny Committees. Although those reports highlighted risks regarding demand led budgets, they forecast an overall position whereby net expenditure was contained within the overall budget. Indeed, after transfers to Reserves and additional debt redemption approved by Cabinet during 2011/12, an overall under spend of around £5.6 million was achieved, equivalent to 1.4% of the budget.

Audit arrangements, including the Audit Committee

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

During 2011/12 the external auditors found no material weaknesses in the system of internal control within the authority.

Regarding internal audit reports, the Audit Committee have, during 2011/12, taken the opportunity to follow up on progress on all key audit recommendations in relation to audit reports where only limited assurance was given, primarily during 2010/11. They did this by requesting the attendance at their meetings of key operational officers who are asked to report on progress. This improves accountability and ensures that key recommendations are actioned to the satisfaction of the Audit Committee.

During 2011/12 only one new "limited assurance" internal audit report was issued which related to SEN Transport. This was a marked improvement compared to the seven limited assurances issued in 2010/11.

Given that Internal Audit and the Audit Committee form an integral part of the County Council's overall governance framework, and are an important source of assurance in respect of the County Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial performance, their effectiveness was reviewed in relation to the 2011/12 financial year.

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

The review of the Audit Committee, which was reported to the Committee on 18th April 2011 was led by the Head of Finance responsible for the Internal Audit function and the Chair of the Audit Committee, and used the CIPFA Toolkit for Local Authority Audit Committees to undertake a self assessment of existing arrangements, against recommended best practice. This review concluded that the Audit Committee was continuing to fulfil the majority of the best practice requirements set out by CIPFA, and only identified a number of relatively minor improvement points which are being addressed.

The review of the effectiveness of Internal Audit, which was reported to the Committee in June 2011, was undertaken using the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. This Code contains a checklist (containing around 190 detailed questions), which has been used by Internal Audit as the basis for the self assessment.

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

Adherence to the CIPFA Code on the Role of the Chief Financial Officer

In accordance with amended recommendations on proper practices on the form and content of the Annual Governance Statement for 2011/12, this statement now includes the following disclosure about the status of the Chief Financial Officer (the Section 151 Officer), the Strategic Finance Director, in accordance with CIPFA's statement on the role of the Chief Financial Officer (CFO). The assessment was undertaken independently by the Head of Finance (the Deputy S151 Officer) and has been reviewed and agreed by the S151 Officer. It considers the five key principles outlined by CIPFA.

CIPFA : Key Principles on the Role of the CFO

The Chief Financial Officer in a public service organisation:

- *Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.*
- *Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy.*
- *Must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and use appropriately, economically, efficiently and effectively.*

To deliver these responsibilities the Chief Financial Officer:

- *Must lead and direct a finance function that is resourced to be fit for purpose; and*
- *Must be professionally qualified and suitably experienced.*

The CFO is an experienced, fully qualified member of the Chartered Institute of Public Finance and Accountancy, who reports directly to the Chief Executive and leads a professional Finance team who provide financial support to the organisation.

The CFO is a member of the Corporate Management Team, has full access to all senior officers and Councillors, the Audit Committee and External Audit and adheres to the advice set out by CIPFA, e.g. bringing influence on all key business decisions, leading on financial Corporate Governance arrangements, including risk management.

The CFO leads on the development of the Medium Term Financial Strategy (MTFS), the annual budgeting process, in year monitoring and reporting and production of final accounts. She ensures that the Council meets the requirements of the CIPFA codes on Capital Financing and Treasury Management.

She also attends the Scrutiny Management and Overview Committee and ensures that relevant Scrutiny Committees are provided with advice and guidance when scrutinising the MTFS and budget of the Council.

The assessment has concluded that the Strategic Finance Director, as the Chief Financial Officer of the Council meets the requirements of the CIPFA Code. This Annual Governance Statement demonstrates that robust governance arrangements exist within the Council in relation to the use and control of financial resources, led by the CFO.

Specifically the CFO:

- Ensures that appropriate advice is always given on all financial matters.
- Oversees the maintenance of adequate systems of control, which are subject to regular review by internal audit, thereby ensuring that robust systems are in place to deliver value for money and prevent fraud and corruption.
- Ensures the maintenance of an effective Audit Committee and attends at the meetings of the Committee.
- Approves the Annual Governance Statement and ensures that it adequately covers all areas of the control and governance framework.

Standards of conduct of officers and members (including the role of the Standards Committee) and adherence to the law

The Standards Committee continued to operate effectively during 2011/12. As provided in the Council's Constitution, "the purpose of the Standards Committee is to maintain high standards of probity amongst members through the provision of advice, training and by carrying out investigations in respect of allegations of misconduct by a member or a co-opted member". The Monitoring Officer is required to provide quarterly reports to Standards for England on the work of the Committee. Its independent chairman produced an annual report to Council of its activities for 2011/12.

Regarding complaints to the Ombudsman in 2011/12, no findings of maladministration were made. 10 complaints were settled during the course of enquiries and the total compensation paid was £1,750.

Partnership Arrangements

The partnership landscape continues to evolve. Statutory responsibilities have been scaled back in some areas, e.g. Local Strategic Partnerships. In other areas there are new statutory responsibilities, most notably new Health and Well Being Boards. We anticipate monitoring and quality assurance through the Department of Health/Monitor.

Assurances from Directors

As part of this review of the effectiveness of Governance arrangements during 2011/12, detailed assurance statements were sought from all permanent Directors within the Delivery, Commissioning, Enabling and Transition, Strategy and Challenge and Strategic Finance "arms" of the Council, to confirm that, for their areas of management responsibility, there were adequate governance arrangements in place covering the areas set out in section 4 of this statement.

Assurances were received back from all permanent Directors, countersigned by the Chief Executive, Deputy Chief Executive or Chief Operating Officer covering all key service areas. All significant issues raised are included within this statement, but generally, although a number of minor issues were raised by a number of Directors, the feedback received was generally very positive.

In relation to Planning Services, the findings of a judicial review were highlighted by the relevant Director, which concluded that the process within the Council used in reaching a decision regarding a planning application in terms of our technical adherence to the detail of the EIA regulations was flawed, and awarded £20,000 of costs against the Council. The shortfalls identified have now been addressed by the revision of working practices.

4.2 Gloucestershire Pension Fund

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

Internal Audit reviewed the controls in place for the three main areas of governance, pension administration and investment management.

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

Governance

Internal Audit examined the various reports, policies and statements, which are published on the County Council website, namely the annual report, statement of investment principles, funding strategy statement, communications policy statement, governance policy statement, governance compliance statement, pension administration strategy and the actuarial valuation report.

The latest triennial actuarial review was in respect of the fund as at 31 March 2010 and the report was published in March 2011, as a result new employer contribution rates were agreed and implemented from 1 April 2011. Following on from the 2010 triennial review, in February 2011 and also in May 2011 external investment consultants presented a report in two stages, entitled 'The Strategic Asset Review' to the Pension Committee, setting out various options for reviewing the investment structure of the fund. This was further considered at the Pension Committees in August 2011 and November 2011, when changes to the investments were agreed. The statement of investment principles was updated to reflect the strategic asset review and approved by the Pension Committee in May 2012.

Internal Audit is satisfied that all published statements are satisfactory and changes have been approved by the Pension Committee.

The governance compliance statement was revised in August 2011. The statement identifies the level of compliance against best practice principles. The Pension Committee includes a non-voting scheme member representative (who also represents pensioners and deferred members). Previously no justification had been given for not extending voting rights to this member. At the August 2011 meeting justification was given in that as the LGPS is a statutory scheme with benefits fully protected by statute, any changes in investment or other policies which are voted on does not affect the scheme members' benefits. This is now incorporated into the governance policy statement. With the exception that not all stakeholders are represented within the committee structure, the authority is fully compliant. The reason given for this is 'concern over the logistics and potential size of the committee'. The Committee have agreed to keep the membership as it is but to review it if a request for representation is received from one of the large employers.

External Fund Managers

Internal Audit has examined the latest published accounts and the latest internal control statements of all fund managers. There were no adverse opinions.

In May 2011 an Investment Management Agreement was signed with CB Richard Ellis. Investors, as the Fund's newly appointed UK Property Multi Manager.

As part of the strategic asset review the pension funds were reallocated and changes were made to the relative sizes of the various mandates and the agreement with Arcadian was terminated.

Performance Monitoring

All of the fund managers report regularly on their performance to the Pension Committee. In addition the custodians measure the performance against the agreed benchmarks and this is reported to the committee. GCC have also engaged a specialist company who independently measure the performance of the funds. Some of the fees paid to fund managers are performance based. Spreadsheets have been developed to monitor the performance related fees, which are now actively monitored.

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

Internal Audit has observed a recent Pension Committee meeting and concluded that these arrangements are adequate and effective.

Management of funds risks & controls

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

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

Mitigating controls are documented against each risk.

Internal Audit are satisfied that the key documents required to mitigate these risks including the actuarial review – triennial valuation and the fund strategy statement and the statement of investment principles are in place and are reviewed on a regular basis.

Pension Fund Administration

In April 2008 changes to the Local Government Pension regulations introduced banding of contribution rates. Pension fund administrators developed a system to validate that the correct contributions are deducted for all employees, comparing pay with deductions. This was successfully introduced for all employers other than those using the GCC SAP payroll system. A report has now been developed to validate SAP payroll contributions and is operational.

Pensions Administration continue to carry out their data matching exercise, which compares pension and payroll records to ensure the absence of ghost pensioners and to ensure the pensions payments are correct. No significant discrepancies have been identified.

Following an audit of pension payments new controls have been introduced in respect of payment of lump sums and transfer payments, which are operating satisfactorily.

In the past difficulties have arisen where employers, who run their own payroll, have failed to update the Pensions Administration Team on changes to members contracts (hours and grades), this impacts both on the ability to calculate the individual's pension and the accuracy of the triennial actuarial valuation. An administration strategy for the pension fund was introduced in 2010, which enabled the fund to charge employers for additional costs incurred by the fund as a result of such failures.

This has been very effective in reducing the number of employers who are failing to provide up to date information.

The Gloucestershire Pension Fund participates in the annual CIPFA benchmarking club, which compares them to 58 other LG Pension Funds. This shows that the total costs per member and the staffing costs per member are in the lowest cost quartile.

5. Significant Governance Issues Arising

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

5.1 *Issue – Cotswold Water Park*

The investigation highlighted issues with the following areas Complaints system, Freedom of Information, Scheme of Delegation, Disposals of Property, Code of Conduct (for members and officers), Cabinet and Joint arrangements, Scrutiny and Intervention, Roles of the Chief Financial Officer, Role of the Monitoring Officer and Governance/ Planning Policy/ Landscape Design/ Rural Development

5.2 *Action taken / Proposed*

A series of reviews have been initiated which will look at:

- The adequacy and effectiveness of the Corporate Complaints Policy and FOI Policy, guidance, processes, systems and compliance currently in operation.
- The adequacy and compliance of the Council's Scheme of Delegation.
- The effectiveness of the governance arrangements, including the decision making processes, for the disposal and/or transfer of the Council' surplus property assets, seeking advice from RICs as necessary.
- The adequacy of, and test compliance with, the Council's Codes of Conduct.
- The current arrangements covering the relationship between the Council and other formal legal entities within joint arrangements.
- The rights of scrutiny and intervention by council nominees and their roles and responsibilities on joint/partner bodies.
- The role of the Chief Financial officer as outlined in the constitution under section E relating to external bodies.
- The role of the Monitoring Officer and Chief Legal Advisor.
- Developing and implementing new governance arrangements, in full collaboration with all key stakeholders, and consideration of the above key issues, to support the Cotswold Water Park's strategic direction and address the individual recommendations relating to the future direction of the CWP.

Reports will be submitted to the June 2012 and September 2012 Audit Committees

5.3 *Issue – Re-Inspection of Safeguarding and Looked After Children*

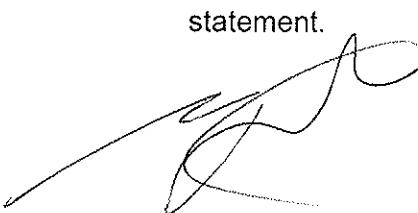
Although, as set out in section 4.1 of this Annual Governance Statement, the findings of this re-inspection were much more positive than the findings reported in 2010, this a significant issue in a high risk area and, as such, Cabinet agreed in April 2012 that the following actions should be taken.

5.4 *Action taken / Proposed*

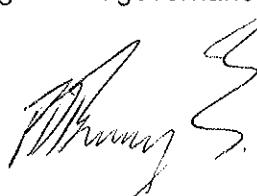
- The inspection action plan should be developed with and by the new Operations Board of the Children's Partnership, reporting through to the Health and Well Being Board and to the Safeguarding Board.
- The current Improvement Board will remain in place overseeing performance management and the introduction of formal service level agreements.
- Children and Young People's Scrutiny Committee will need to consider the inspection findings and adapt their current scrutiny of services as appropriate within the agreed safeguarding framework.
- The Head of Quality will continue to report directly to the DCS providing an independent challenge and alert system for the council.
- The council will play an active role in South West sector led improvement arrangements and identify areas for peer challenge where appropriate
- The Children's Safeguarding Board, under the leadership of the new Chair, should maintain its current role of receiving regular reports on the performance of individual agencies and challenging how services are contributing to effective safeguarding. In particular the Board will need to consider how effective challenge can be built into the system at practitioner/ team level in local areas.

Responsibility for producing the detailed action plan and implementing the other actions described above has been delegated to the Director of Children's Services in consultation with the Cabinet Member for Vulnerable Families.

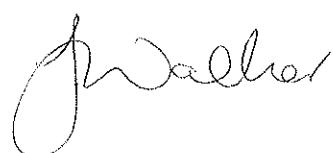
5.5 There are no other significant governance issues that need to be highlighted in this statement.



Mark Hawthorne
Leader



Peter Bungard
Chief Executive



Jo Walker
Strategic Finance Director

Movement in Reserves Statement

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

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2010 carried forward	-11,750	-89,450	-69	-1,615	-102,884	192,007	89,123
<u>Movement in reserves during 2010/11</u>							
Surplus (-) or Deficit on Provision of Services	-125,444	-	-	-	-125,444	-	-125,444
Other Comprehensive Expenditure and Income	-	-	-	-	-	-232,819	-232,819
Total Comprehensive Expenditure and Income	-125,444	-	-	-	-125,444	-232,819	-358,263
Adjustments between accounting basis & funding basis under regulations (Note 1)	104,812	-	69	-	104,881	-104,881	-
Net Increase/Decrease before Transfers to Earmarked Reserves	-20,632	-	69	-	-20,563	-337,700	-358,263
Transfers to/from Earmarked Reserves	16,488	-15,521	-	-967	-	-	-
Increase/Decrease in 2010/11	-4,144	-15,521	69	-967	-20,563	-337,700	-358,263
Balance at 31st March 2011	-15,894	-104,971	-	-2,582	-123,447	-145,693	-269,140

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2011 carried forward	-15,894	-104,971	-	-2,582	-123,447	-145,693	-269,140
<u>Movement in reserves during 2011/12</u>							
Surplus (-) or Deficit on Provision of Services	2,556	-	-	-	2,556	-	2,556
Other Comprehensive Expenditure and Income	-	-	-	-	-	66,906	66,906
Total Comprehensive Expenditure and Income	2,556	-	-	-	2,556	66,906	69,462
Adjustments between accounting basis & funding basis under regulations (Note 1)	-3,292	-	-	-	-3,292	3,292	-
Net Increase/Decrease before Transfers to Earmarked Reserves	-736	-	-	-	-736	70,198	69,462
Transfers to/from Earmarked Reserves	-1,867	2,006	-	-139	-	-	-
Increase/Decrease in 2011/12	-2,603	2,006	-	-139	-736	70,198	69,462
Balance at 31st March 2012	-18,497	-102,965	-	-2,721	-124,183	-75,495	-199,678

Comprehensive Income and Expenditure Statement

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

Restated 31 st March 2011			31 st March 2012		
Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
Gross Expenditure, Gross Income and Net Expenditure of Continuing Operations					
3,483	-1,620	1,863	Central Services to the Public	3,526	-1,612
11,078	-1,012	10,066	Cultural and Related Services	10,716	-1,008
30,190	-3,571	26,619	Environmental and Regulatory Services	24,739	731
13,815	-10,122	3,693	Planning Services	4,109	-1,046
602,588	-490,878	111,710	Education and Children's Services	461,939	-358,662
67,389	-13,234	54,155	Highways and Transport Services	60,125	-6,895
469	-317	152	Other Housing Services	513	-336
246,895	-86,872	160,023	Adult Social Care	244,746	-89,011
22,519	-1,012	21,507	Fire Services	22,033	-1,390
7,288	-567	6,721	Corporate and Democratic Core	4,873	-297
5,846	-194	5,652	Non Distributed Costs	-12,427	-146
10,752	-9,430	1,322	Other Operating Income & Expenditure	4,136	-4,798
-115,497	-	-115,497	Exceptional Items (Note 50)	8,766	-
906,815	-618,829	287,986	Cost Of Services	837,794	-464,470
268	-	268	Levies Payable	268	-
12,239	-	12,239	Gain/Loss on disposal of non current assets	52,353	-
12,507	-	12,507	Other Operating Expenditure	52,621	-
17,941	-	17,941	Interest Payable on Debt	17,469	-
-	-	-	Premium on Early Repayment of Debt	-	-
271	-	271	Impairment of Financial Instruments	455	-
28,299	-	28,299	Pension Interest Cost & Expected Return on Pension Assets (Note 40)	16,241	-
-	-1,672	-1,672	Investment Interest income	-	-2,187
46,511	-1,672	44,839	Financing and Investment Income and Expenditure	34,165	-2,187
-	-	-	Profit or Loss on Discontinued Operations	-	-
-	-66,085	-66,085	Recognised Capital Grants and Contributions	-	-57,822
-	-243,486	-243,486	Council Tax	-	-245,384
-	-102,126	-102,126	NNDR	-	-105,290
-	-14,830	-14,830	RSG	-	-32,546
-	-44,249	-44,249	Non Service Related Government Grants	-	-14,325
-	-470,776	-470,776	Taxation and Non-Specific Grant Income (Note 4)	-455,367	-455,367
965,833	-1,091,277	-125,444	Surplus (-) or Deficit on Provision of Services	924,580	-922,024
-	-	-	Surplus or Deficit on Revaluation of Non Current Assets	-	-
-	-25,866	-25,866	Revaluation Gains (-)/Losses (Note 17)	-	-5,962
-	-	-	Transfer of Services	-	-
19	-	19	Surplus or Deficit on Revaluation of Available for Sale Financial Assets (Note 17)	166	-
-	-206,972	-206,972	Actuarial Gains/Losses on Pension Assets/Liabilities (Note 40)	72,702	-
19	-232,838	-232,819	Other Comprehensive Income and Expenditure	72,868	-5,962
965,852	-1,324,115	-358,263	Total Comprehensive Income and Expenditure	997,448	-927,986
					69,462

Balance Sheet

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

Restated As at 1 st April 2010 £'000	Restated As at 1 st April 2011 £'000		Notes	As at 31 st March 2012 £'000
968,570	1,015,915	Property Plant and Equipment	5	1,000,686
894	894	Heritage Assets	6	894
26,244	24,410	Assets under Construction	5	8,113
411	346	Intangible Assets	8	281
19,642	7,486	Long Term Investments	9	1,052
76	60	Long Term Debtors	9	51
1,015,837	1,049,111	Long Term Assets		1,011,077
16,548	48,021	Short Term Investments	9	43,706
547	1,558	Assets held for Sale	14	152
1,822	3,017	Landfill Allowance Trading Scheme	46	-
855	1,055	Inventories	10	928
50,641	43,165	Short Term Debtors	12	37,797
74,727	92,991	Cash and Cash Equivalents	13	115,455
145,140	189,807	Current Assets		198,038
-1,793	-3,008	Landfill Allowance Trading Scheme	46	-
-14,307	-37,361	Short Term Borrowing	34	-46,329
-79,004	-86,361	Short Term Creditors	15	-64,150
-3,566	-5,378	Short Term Provisions	16	-5,993
-50,322	-60,033	Capital Grants and Contributions Receipts in Advance	31	-71,133
-13,178	-10,303	Provision for Accumulated Absences	17	-9,743
-162,170	-202,444	Current Liabilities		-197,348
-2,634	-2,676	Deferred Liability	48	-2,692
-1,797	-1,931	Long Term Provisions	16	-2,139
-326,645	-315,913	Long Term Borrowing	34	-301,225
-	-	Donated Asset Account	-	-
-756,854	-446,814	Liability Related to Defined Benefit Pension Scheme	39 & 40	-506,033
-1,087,930	-767,334	Long Term Liabilities		-812,089
-89,123	269,140	Net Assets		199,678
Usable Reserves				
69	-	Usable Capital Receipts Reserve	2	-
1,615	2,582	Capital Grants Unapplied Reserve	2	2,721
11,750	15,894	General Fund Balance	2	18,497
89,450	104,971	Earmarked Reserves	2	102,965
Unusable Reserves				
-13,178	-10,303	Short Term Accumulated Absences Account	17	-9,743
468,215	474,262	Capital Adjustment Account	17	471,513
113,408	131,377	Revaluation Reserve	17	122,673
2,202	2,216	Council Tax Collection Fund Adjustment Account	17 & 49	2,143
7	-12	Available for Sale Revaluation Reserve	17	-178
-5,807	-5,033	Financial Instrument Adjustment Account	17	-4,880
-756,854	-446,814	Defined Pension Fund Reserve	39 & 40	-506,033
-89,123	269,140	Total Reserves		199,678

Cash Flow Statement

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

Restated		2011/12
2010/11		£'000
-125,444	Net Surplus (-) or Deficit on the Provision of Services	2,556
-10,692	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	-67,696
121,998	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	66,760
<hr/>		
-14,138	Net Cash Flows from Operating Activities	1,620
<hr/>		
8,470	Investing Activities (Note 19)	-38,499
<hr/>		
-12,596	Financing Activities (Note 20)	14,415
<hr/>		
-18,264	Net Increase or Decrease in Cash and Cash Equivalents	-22,464
<hr/>		
-74,727	Cash and Cash Equivalents at the beginning of the reporting period	-92,991
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-92,991	Cash and Cash Equivalents at the end of the reporting period (Note 13)	-115,455

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- Note 2. Useable Reserves
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- Note 4. Taxation and Non Specific Grant Incomes
- Note 5. Property, Plant and Equipment
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- Note 48. Deferred Liabilities
- Note 49. Council Tax Collection Fund Adjustment Account
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1. Adjustments between Accounting Basis and Funding Basis under Regulations

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

Restated 2010/11	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	-29,677	-	-	29,677
Capital grants and contributions applied	65,434	-	-	-65,434
Movement in the Donated Assets Account	651	-	-	-651
Revenue expenditure funded from capital under statute	-45,536	-	-	45,536
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-12,239	-	-	12,239
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of Capital Investment	16,638	-	-	-16,638
Capital expenditure charged against the General Fund Balance	2,810	-	-	-2,810
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-4,171	-	4,171
Use of the Capital Receipts Reserve to finance new capital expenditure	-	4,240	-	-4,240
Adjustments primarily involving the Capital Grants Unapplied Reserve				
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement	-	-	66,401	-66,401
Application of grants and contributions to capital financing transferred to capital adjustment account	-	-	-65,434	65,434
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	774	-	-	-774
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	103,067	-	-	-103,067
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	15	-	-	-15
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,875	-	-	-2,875
Total Adjustments	104,812	69	967	-105,848

2011/12

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	-34,548	-	-	34,548
Capital grants and contributions applied	56,932	-	-	-56,932
Movement in the Donated Assets Account	575	-	-	-
Revenue expenditure funded from capital under statute	-38,433	-	-	38,433
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	-52,353	-	-	52,353
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Voluntary Provision for financing of Capital Investment	24,432	-	-	-24,432
Statutory Provision for the financing of Capital Investment	17,485	-	-	-17,485
Capital expenditure charged against the General Fund Balance	8,494	-	-	-8,494
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-9,115	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	9,115	-	-
Adjustments primarily involving the Capital Grants Unapplied Reserve:				
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement	-	-	57,822	-57,822
Application of grants and contributions to capital financing transferred to capital adjustment account	-	-	-57,683	57,683
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	153	-	-	-153
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	13,484	-	-	-13,484
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-73	-	-	73
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	560	-	-	-560
Total Adjustments	-3,292	-	139	3,728

2. Useable Reserves

This note sets out the amounts set aside from the General Fund Balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12

	Restated Balance at 31 st March 2011 £'000	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 st March 2012 £'000
Earmarked Reserves				
Capital Fund	20,728	-17,598	12,525	15,655
Insurance Fund	9,158	-5,358	6,267	10,067
Supporting People	1,340	-1,340	1,558	1,558
County Elections	339	-	151	490
Vehicle & Plant Replacement	156	-46	-	110
Adverse Weather - Roads	-	-	-	-
Fire Service Pensions	227	-	-	227
Waste Disposal Fees	536	-	-	536
Strategic Waste Reserve	10,041	-	2,000	12,041
Corporate Initiatives	723	-673	437	487
Fire Joint Training Centre	1,084	-	5	1,089
Invest to Save	5,167	-1,108	767	4,826
Transformation Reserve	19,725	-9,038	5,353	16,040
Impairment Reserve	7,065	-3,965	137	3,237
Economic Stimulus Reserve	-	-	3,965	3,965
Fire PFI Reserve - GFRS	-	-	201	201
Revenue Grant Reserves	2,327	-6,934	13,675	9,068
Other Reserves	485	-3	38	520
	79,101	-46,063	47,079	80,117
Schools Related				
School Balances	20,650	-24,033	18,525	15,142 *
Dedicated Schools Grant Reserve	3,953	-3,953	5,802	5,802
Standards Fund	-	-	1,393	1,393
Other Schools Related	1,267	-807	51	511
	25,870	-28,793	25,771	22,848
Total	104,971	-74,856	72,850	102,965
General Fund Balances	15,894	-	2,603	18,497
Useable Capital Receipts Reserve	-	-	-	-
Capital Grant Unapplied Reserve	2,582	-	139	2,721
Total Useable Reserves	123,447	-74,856	75,592	124,183

* Please note a number of Schools became independent Academies in 2010-11 and therefore left the control of the Council.

Reserve Description

Capital Fund

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

Insurance Fund

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

Supporting People

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

Strategic Waste Reserve

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

Fire Joint Training Centre

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

Invest to Save

Reserve established to support the continued development of Invest to Save initiatives.

Transformation Reserve

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

Impairment Reserve

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

Economic Stimulus Reserve

Specific Reserve covering a number of initiatives including Rural Broadband, the under writing of deposits for first time house buyers under the Local Authority Mortgage Scheme and the introduction of a range of proposals to improve skills for economic growth centred on apprenticeships.

Revenue Grant Reserves

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

School Balances

Specific School revenue balances held by individual Schools, carryforwarded to support future years expenditure

Dedicated Schools Grant Reserve

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

Standards Fund

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

Capital Grant Reserves

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

3. Financing and Investment Income and Expenditure	Restated 2010/11 £'000	2011/12 £'000
Interest payable and similar charges	17,941	17,469
Pensions interest cost and expected return on pensions assets	28,299	16,241
Interest receivable and similar income	-1,672	-2,187
Income and expenditure in relation to investment properties and changes in their fair value	-	-
Impairment of financial instruments	271	455
Other investment income	-	-
Total	44,839	31,978

4. Taxation and Non Specific Grant Incomes	Restated 2010/11 £'000	2011/12 £'000
Council Tax Income	-243,486	-245,384
Non Domestic Rates	-102,126	-105,290
Non-ringfenced Government Grants	-59,079	-46,871
Capital Grants and Contributions	-66,085	-57,247
Total	-470,776	-454,792

5. Property, Plant and Equipment

Movements in 2011/12:

	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets included in PPE £'000
Restated	750,175	33,422	474,262	-	18,485	24,410	1,300,754	1,975
Gross book value at 1st April 2011								
Additions	35,289	1,462	35,636	-	374	-	72,761	8,912
Donations	575	-	-	-	-	-	575	-
Revaluation increases/ decreases (-) recognised in the Revaluation Reserve	5,851	-	-	-	111	-	5,962	-
Derecognition – disposals	-71,319	-990	-729	-	-897	-	-73,935	-
Assets reclassified to (-)/from Held for Sale	-151	-	-	-	-	-	-151	-
Other movements in cost or valuation	-	-	-	-	-	-	-16,297	-16,297
Gross book value at 31st March 2012	720,420	33,894	509,169	-	18,073	8,113	1,289,669	10,887

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment Restated as at 1st April 2011	-89,073	-15,594	-155,261	-	-501	-	-260,429	-203
Depreciation charge	-10,714	-4,679	-18,950	-	-122	-	-34,465	-104
Depreciation written out to the	-	-	-	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-	-	-	-
Derecognition – disposals	12,413	872	729	-	10	-	14,024	-
Other Depreciation	-	-	-	-	-	-	-	-
At 31st March 2012	-87,374	-19,401	-173,482	-	-613	-	-280,870	-307
Net book value at 31st March 2012	633,046	14,493	335,687	-	17,460	8,113	1,008,799	10,579

Non Current Asset Valuations

- **Land and Property**

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

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

Non-operational land and property is included on the basis of market value except assets under construction which are included on the basis of capital expenditure incurred by 31st March 2012. The valuations have been undertaken by qualified valuers employed within the Asset Management and Property Services area of the Council.

- **Temporary Buildings**

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

- **Vehicles, Plant, and Equipment**

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

- **Infrastructure Assets**

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

- **Donated Assets**

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

6. Heritage Assets**Tangible Heritage Assets**

	17 th Century Tapestry £'000	2 x Listed Bridges £'000	Others £'000	Total £'000
At 1st April 2010	30	864	-	894
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation increases/decreases (-) recognised in the	-	-	-	-
Revaluation Reserve	-	-	-	-
Revaluation increases/decreases (-) recognised in	-	-	-	-
Surplus or Deficit on the Provision of Services	-	-	-	-
At 31st March 2011	30	864	-	894
Accumulated Depreciation and Impairment				
At 1st April 2010				
Depreciation	-	-	-	-
Disposals	-	-	-	-
Impairment losses/reversals (-) recognised in the	-	-	-	-
Revaluation Reserve	-	-	-	-
Impairment losses/reversals (-) recognised in the	-	-	-	-
Surplus or Deficit on the Provision of Services	-	-	-	-
At 31st March 2011	-	-	-	-
Net book value at 31st March 2011	30	864	-	894
2011/12:				
Gross book value at 1st April 2011	30	864	-	894
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation increases/decreases (-) recognised in the	-	-	-	-
Revaluation Reserve	-	-	-	-
Revaluation increases/decreases (-) recognised in	-	-	-	-
Surplus or Deficit on the Provision of Services	-	-	-	-
Gross book value at 31st March 2012	30	864	-	894
Accumulated Depreciation and Impairment				
At 1st April 2011				
Depreciation	-	-	-	-
Disposals	-	-	-	-
Impairment losses/reversals (-) recognised in the	-	-	-	-
Revaluation Reserve	-	-	-	-
Impairment losses/reversals (-) recognised in the	-	-	-	-
Surplus or Deficit on the Provision of Services	-	-	-	-
At 31st March 2012	-	-	-	-
Net book value at 31st March 2012	30	864	-	894

Tangible Heritage Assets

The definition of a heritage asset is “a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture”. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections, and works of art.

The Council have identified:

- A 17th Century Tapestry located by the Council Chamber at Shire Hall as a tangible heritage asset and will be bringing it on to our books using a recent insurance valuation of £30,000 and an indefinite life.
- A Brunel Swing Bridge at Llanthony in Gloucester Docks which is a non-operational bridge that has been listed. It has an indefinite life and has been valued using the gross replacement costs model produced by CIPFA at £557,248.
- A Depot bridge located within Cotswold Water Park which is a non-operational bridge that has been listed. It has an indefinite life and has been valued using the gross replacement costs model produced by CIPFA at £307,201.

The Council has not produced a 5 year summary of transactions relating to heritage assets. The 3 assets the Council have identified have been valued at £0.894m and the 2010/11 materiality level was £15.8m.

Therefore the summary is shown from the 1st April 2010.

The Council's accounting policy will be to assess the heritage assets each year to record any acquisitions, enhancement expenditure or disposals of heritage assets and update the asset register. Any individual asset above the value of £25,000 will be brought on to the balance sheet.

After initial recognition, heritage assets will be re-valued, impaired and depreciated in line with the Code. Whilst depreciation (or amortisation in the case of intangible heritage assets) and impairment are relevant to heritage assets, the Code states that depreciation is not required on heritage assets which have indefinite lives.

Non-Disclosure of Archives as Heritage Assets

Gloucestershire Archives holds the historic and administrative archives for the county of Gloucestershire and, in partnership with South Gloucestershire Council, for South Gloucestershire. These comprise some nine miles of records dating from the 12th century to the present day. They are held for the express purpose of ensuring their preservation and providing public access to information recording the heritage of the two counties both now and for future generations. The archives, ranging from a single piece of paper to thousands of documents, are held under a variety of terms, the most common ones being deposit (long-term loan), gift or purchase.

In the opinion of the Council, the archaeological collection of artefacts cannot be valued because of the diverse and often unique nature of the collection. Therefore cost or valuation information is not available and conventional valuation approaches lack sufficient reliability. The Council is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefit derived.

Non-Disclosure of tangible assets with an individual value of less than £25,000

Following CIPFA guidance the Council have decided to use a deminimus when identifying which heritage assets should be recognised in the accounts. Because 2010/11 materiality level was £15.8m for the total value of all heritage assets, the Council believes that £25,000, which is less than 1 percent of the materiality for an individual asset, is an acceptable level.

The Council undertook valuations for 20 portraits in Shire Hall, the Chairman's clock and various civic regalia in the Chairman's office, all of which did not meet the deminimus value per individual item. Therefore they have not been included in our statement of accounts.

Collectively all these items were valued at £81,500 by Chorley's Auctioneers & Valuers in February 2012.

Intangible Heritage Assets

Intangible heritage assets are defined as assets with cultural, environmental, or historical significance. Examples of intangible heritage assets include recordings of significant historical events.

The Council do not currently hold any intangible heritage assets.

7. Investment Properties

Investment property is defined as follows:

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

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

The Council does not currently hold any investment properties.

8. Intangible Assets

These are purchased software licences and are amortised over an estimated life of up to 10 years.

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

	2010/11		2011/12	
	Internally Generated Assets £'000	Other Assets £'000	Internally Generated Assets £'000	Other Assets £'000
Balance at start of year:				
Gross carrying amounts	-	411	-	346
Amortisation for the period	-	-65	-	-65
Other changes	-	-	-	-
Net carrying amount at end of year	-	346	-	281

9. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current		
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	
Investments					
Loans and receivables	7,486	1,052	100,268	132,356	
Available-for-sale financial assets	-	-	19,802	19,832	
Unquoted equity investment at cost	-	-	-	-	
Financial assets at fair value through profit and loss	-	-	-	-	
Total Investments	7,486	1,052	120,070	152,188	
Debtors					
Loans and receivables	60	51	27,873	22,315	
Financial assets carried at contract amounts	-	-	-	-	
Total Debtors	60	51	27,873	22,315	
Borrowings					
Financial liabilities at amortised cost	314,302	292,252	37,311	44,808	
Financial liabilities at fair value through profit and loss	-	-	-	-	
Total Borrowings	314,302	292,252	37,311	44,808	
Lease Liabilities					
PFI liability at amortised cost	1,612	8,973	50	1,521	
Total other long term liabilities	1,612	8,973	50	1,521	
Creditors					
Financial liabilities at amortised cost	-	-	73,662	53,424	
	-	-	73,662	53,424	
Income, Expense, Gains and Losses					
2010/11					
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Assets and Liabilities at Fair value through Profit and Loss	Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	17,941	-	-	-	17,941
Losses on derecognition	-	-	-	-	-
Reductions in fair value	-	-	-	-	-
Premiums on early repayment of debt	-	-	-	-	-
Discounts on early repayment of debt	-	-	-	-	-
Impairment losses	-	272	-	-	272
Fee expense	7	-	-	-	7
Total expense in Surplus or Deficit on the Provision of Services	17,948	272	-	-	18,220
Interest Income					
Interest income	-	-833	-171	-	-1,004
Interest income accrued on impaired financial assets	-	-658	-	-	-658
Increases in fair value	-	-	-	-	-
Gains on derecognition	-	-	-10	-	-10
Fee income	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	-1,491	-181	-	-1,672

	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Assets and Liabilities at Fair value through Profit and Loss	Total
	£'000	£'000	£'000	£'000	£'000
Gains on revaluation	-	-	19	-	19
Losses on revaluation	-	-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-
Surplus or deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	19	-	19
Net gain/loss (-) for the year	17,948	-1,219	-162	-	16,567

2011/12

Interest expense	17,469	-	-	-	17,469
Losses on derecognition	-	-	-	-	-
Reductions in fair value	-	-	-	-	-
Premiums on early repayment of debt	-	-	-	-	-
Discounts on early repayment of debt	-	-	-	-	-
Impairment losses	-	455	-	-	455
Fee expense	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	17,469	455	-	-	17,924
Interest income	-	-1,398	-189	-	-1,587
Interest income accrued on impaired financial assets	-	-593	-	-	-593
Increases in fair value	-	-	-	-	-
Gains on derecognition	-	-	-7	-	-7
Fee income	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	-1,991	-196	-	-2,187
Gains on revaluation	-	-	-	-	-
Losses on revaluation	-	-	166	-	166
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-
Surplus or deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	166	-	166
Net gain/loss (-) for the year	17,469	-1,536	-30	-	15,903

Fair Values of Assets and Liabilities

Short-term investments, short-term debtors and creditors are not considered for fair value adjustments but are carried at cost since this is a fair approximation of their value.

Fair Values are considered for financial liabilities that are represented by PWLB and other long-term loans (borrowing) together with finance leases and for financial assets that are represented by long-term loans (investments) and long-term debtors. These liabilities and assets are carried in the Balance Sheet at amortised cost and their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates at 31st March 2012 of actual premature repayment rates set at close of business on 31st March 2012 for loans from the PWLB and an equivalent PWLB rate for LOBO loans.
- No early repayment or impairment is recognised, however the PWLB fair value redemption figure is £376m compared to a carrying amount of £292m and for LOBO loans a fair value redemption is £44.7m compared to a carrying amount of £41.1m.

The fair values calculated are as follows:

	31 st March 2011		31 st March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB - maturity	291,683	331,995	277,252	360,498
PWLB - variable	15,000	15,030	15,000	15,031
Lender option borrower option (LOBO) loans	41,050	43,770	41,050	44,701
Finance leases (PFI projects)	1,661	1,661	8,973	8,973
Financial liabilities	349,394	392,456	342,275	429,203

The fair values of the loans are higher than the carrying amount because the Council's borrowing portfolio includes fixed rate loans where the interest rates payable are higher than the prevailing market rates at the Balance Sheet date. Therefore the notional future loss (based on economic conditions as at 31st March 2012) arises from this commitment to pay interest to lenders at above current market rates.

Assets	31 st March 2011		31 st March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Long term loans (investments)	5,000	6,537	1,052	1,052
Long-term debtors	60	60	51	51
Financial assets	5,060	6,597	1,103	1,103

The figure for long-term investments as at 31st March 2012 represents the value of the impaired Icelandic investments where repayment is expected after 31st March 2013. The fair value is the same as the carrying amount.

The figure for investments at 31st March 2011 relates to one long-term investment where the interest rate receivable was higher than the prevailing market rates.

10. Inventories

	Restated 2010/11 £'000	2011/12 £'000
Maintenance Materials		
Balance outstanding at start of the year	855	1,055
Purchases	3,151	2,836
Recognised as an expense in the year	1	-
Stock used within the year	-2,952	-2,963
Written off balances	-	-
Reversals of write-offs in previous years	-	-
Balance outstanding at year-end	1,055	928

11. Commitments under Capital Contracts

At 31st March 2012 the Council has £178m of expenditure approved, but not all contracted, in its capital programme in future years, allocated as follows:

2010-11 Format

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

2011-12 Format restating prior year

	Restated 2010/11 £'000	2011/12 £'000
Children & Families	107,241	66,946
Communities & Infrastructure	74,175	96,098
Adults	3,880	3,888
Enabling & Transition	3,875	11,011
Total	189,171	177,943

12. Debtors

	Restated 2010/11 £'000	2011/12 £'000
Central Government Bodies	9,983	8,622
Other Local Authorities	15,280	11,203
NHS Bodies	3,207	3,750
Public Corporations and Trading Funds	113	68
Other Entities and Individuals	14,582	14,154
Total	43,165	37,797

13. Cash and Cash Equivalents

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

	Restated 2010/11 £'000	2011/12 £'000
Cash held by the Council, including schools	20,942	6,973
Cash held in call/money market accounts with same day access	33,140	65,700
Cash Equivalents - investments maturing within 3 months	38,909	42,782
Total Cash and Cash Equivalents	92,991	115,455

14. Assets Held for Sale

	Restated 2010/11 £'000	2011/12 £'000
Balance outstanding at start of year	547	1,558
Assets newly classified as held for sale:		
Property, Plant and Equipment	2,563	152
Assets sold	-1,552	-1,558
Balance outstanding at year-end	1,558	152

15. Creditors

	Restated 2010/11 £'000	2011/12 £'000
Central Government Bodies	26,086	9,582
Other Local Authorities	12,846	11,774
NHS Bodies	6,432	5,761
Public Corporations and Trading Funds	88	58
Other Entities and Individuals	40,909	36,975
Total	86,361	64,150

16. Provisions

	Restated Balance at 1 st April 2011	Applications	Additions	Amounts Written off in Year	Balance at 31 st March 2012	Short Term Liabilities	Long Term Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance Fund	-5,354	72.00	- *	-	-5,282	-3,751	-1,531
Adult Care:							
Community Equipment Liabilities	-200	-	-	-	-200	-	-200
Environment:							
GSWBP Land Claims	-400	96	-	-	-304	-	-304
Contracts	-736	736	-789	-	-789	-789	-
LATS	-9	-	-	9	-	-	-
Lease Dilapidations	-63	-	-12	-	-75	-	-75
Registrars:							
Pension Strain Costs	-147	147	-	-	-	-	-
CYP:							
Pension Strain Costs	-50	21	-	-	-29	-	-29
Tax Employment Liability	-91	61	-	30	-	-	-
General:							
Pension Strain & Redundancy costs	-9	2	-582	-	-589	-589	-
Carbon Reduction Programme Allowances	-	-	-614	-	-614	-614	-
Retained Fire Fighters Liabilities	-250	-	-	-	-250	-250	-
Total	-7,309	1,135	-1,997	39	-8,132	-5,993	-2,139
Employee Accrual - IAS19 accumulated absences	-10,303	-	-	560	-9,743	-9,743	-
Total	-10,303	-	-	560	-9,743	-9,743	-

* 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.

Environment - Contracts

The contracts provision relates to anticipated costs associated with the Highways and Transportation Services Contract.

General - Pension Strain & Redundancy costs

The General Pension Strain and Redundancy provision relates to anticipated costs associated with staff under statutory notice in 2011/12 but will not be leaving the Council until 2012/13.

General - Carbon Reduction Programme Allowances

The Carbon Reduction Programme is a new Government initiative where Organisations have to purchase energy allowances based on energy usage which is retrospectively assessed. This provision therefore is an estimate cost for the procurement of the appropriate allowances for 2011/12.

Employee Accrual - IAS19 accumulated absences

Local Authorities are required to account for benefits payable during employment in accordance with IAS19. The provision held within the Accumulated Absences Account relate to estimated costs associated with short term benefits such as leave, flexible working hours and additional TOIL, which have been accumulated at the end of 2011/12 but will not be settled until 2012/13.

17. Unusable Reserves

Revaluation Reserve

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

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

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

	Restated 2010/11 £'000	2011/12 £'000
Balance at 1st April	113,408	131,377
Upward revaluation of assets	25,866	5,962
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	-	-
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-	-
Difference between fair value depreciation and historical cost	-299	-
Accumulated gains on assets sold or scrapped	-7,598	-14,666
Amount written off to the Capital Adjustment Account	-	-
Balance at 31st March	131,377	122,673

Available for Sale Financial Instruments Reserve

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

	Restated 2010/11 £'000	2011/12 £'000
Balance at 1st April	7	-12
Change in year end valuation	-19	-166
Balance at 31st March	-12	-178

Capital Adjustment Account

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

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

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

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

	Restated 2010/11 £'000	2011/12 £'000
Balance at 1st April	* 468,215	474,262
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	-29,611	-34,483
Amortisation of intangible assets	-65	-65
Revaluation losses on Property, Plant and Equipment		
Revenue expenditure funded from capital under statute	-45,536	-38,433
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	-16,411	-61,467
Adjusting amounts written out of the Revaluation Reserve	7,896	14,666
Net written out amount of the cost of non-current assets consumed in the year		
Capital financing applied in the year:		
Write off of deferred charges	-	-
Use of the Capital Receipts Reserve to finance new capital	4,240	9,115
RCCO applied to capital financing	2,810	8,385
Voluntary Provision for financing of Capital Investment	-	24,432
Statutory Provision for the financing of Capital Investment	16,638	17,485
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	65,435	56,932
IFRS Removal of operating leases	-	-
IFRS Removal of deferred grants & S106 accounts	-	-
Donated Assets	651	575
Other	-	109
Balance at 31st March	474,262	471,513

* The opening balance now includes £894K for Heritage Assets brought on to the Balance Sheet at 1st April 2010

Pensions Reserve

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

	Restated 2010/11 £'000	2011/12 £'000
Balance at 1st April	-756,854	-446,814
Actuarial gains or losses (-) on pensions assets and liabilities	206,972	-72,702
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	101,368	12,583
Firefighters injury awards	1,700	900
Balance at 31st March	-446,814	-506,033

Collection Fund Adjustment Account

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

	Restated 2010/11 £'000	2011/12 £'000
Balance at 1st April	2,202	2,216
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements.	14	-73
Balance at 31st March	2,216	2,143

Accumulated Absences Account

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

	Restated 2010/11 £'000	2011/12 £'000
Balance at 1st April	-13,178	-10,303
Amount in which the settlement or cancellation of accrual made at the end of the preceding year and the amount accrued at the end of this year differs.	2,875	560
Balance at 31st March	-10,303	-9,743

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums and discounts paid or received on the early redemption of loans. Premiums or Discounts are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. This Account also managed the financial adjustments necessary for the management of impairment on investments, which have now been written off in 2011/12 in accordance with regulations.

	Restated 2010/11 £'000	2011/12 £'000
Balance at 1st April	-5,807	-5,033
Adjustments with the General Fund relating to the early repayment of debt in year (matches to entries in the Income and Expenditure Account):		
Premiums paid deferred	-	-
Discounts received deferred	-	-
Adjustments with the General Fund relating to the total of deferred premiums/discounts:		
Net write down	153	153
Adjustments with the General Fund relating to the impairment of investments (matches to entries in the Income and Expenditure Account):		
Interest due on impaired investments to 31 st March 2010	-	-
Impairment of investments	-	-
Adjustments with the General Fund relating to the write out of impairment of investments	621	-
Balance at 31st March	-5,033	-4,880

	Restated 2010/11 £'000	2011/12 £'000
18. Cash Flow Statement – Operating Activities		
Net Surplus or (Deficit) on the Provision of Services	-125,444	2,556
Adjust net surplus or deficit on the provision of services for non cash movements:-		
Depreciation	-29,477	-34,483
Amortisation	-65	-65
Impairment losses on Loans & advances debited to surplus or deficit on the provision of services in year	-	-455
Increase/Decrease in Interest Creditors	246	121
Increase/Decrease in Creditors	-7,477	24,531
Increase/Decrease in Interest and Dividend Debtors	-12	-135
Increase/Decrease in Debtors	-6,437	-8,275
Increase/Decrease in Inventories	200	-127
Movement in Pension Liability	103,068	13,483
Contributions to/(from) Provisions	-1,947	-823
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-16,411	-61,468
Net adjustment for sale of short and long term investments	14	-
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Capital Grants credited to surplus or deficit on the provision of services	65,433	57,645
Proceeds from the sale of property plant and equipment, investment property and intangible assets	4,171	9,115
Net Cash Flows from Operating Activities	-14,038	1,620
The cash flows for operating activities include the following items:		
Interest received	-1,684	-2,322
Interest paid	18,187	17,590
19. Cash Flow Statement – Investing Activities		
Purchase of property, plant and equipment, investment property and intangible assets	68,674	49,929
Purchase of short-term and long-term investments	71,350	16,732
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-4,171	-9,115
Proceeds from short-term and long-term investments	-52,394	-27,181
Other receipts from investing activities	-74,989	-68,864
Net cash flows from investing activities	8,470	-38,499

20. Cash Flow Statement – Financing Activities

	Restated 2010/11 £'000	2011/12 £'000
Cash receipts of short- and long-term borrowing	-15,000	-
Other receipts from financing activities	-	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-42	-73
Repayments of short-term and long-term borrowing	2,432	14,504
Other payments for financing activities	14	-16
Net cash flows from financing activities	-12,596	14,415

21. Movement in Net Debt

	Restated 2010/11 £'000	2011/12 £'000	Movements in year £'000
Movement In Cash Balances			
Imprest Accounts	-193	-172	21
Cash At Bank	-20,749	-6,801	13,948
Cash Equivalents investments	-72,049	-108,482	-36,433
Net Cash (Inflow) / Outflow	-92,991	-115,455	-22,464
Movement In Financing & Liquid Resources	-300,383	-305,436	-5,053
Increase / (Decrease) In Net Debt	-393,374	-420,891	-27,517

22. Amounts Reported for Resource Allocation Decisions

Service Information for the year ended 31st March 2011

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

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

	£'000
Cost of Services in Service Analysis	401,756
Add Technical Accounting Adjustments	-59,028
Removal of amounts reported to management but not included in the Comprehensive Income and Expenditure Statement.	-54,742
Net Cost of Services in Comprehensive Income and Expenditure Statement	287,986

Reconciliation to Subjective Analysis

2010/11

	Service Analysis	Technical Accounting Adjustments	Items not included in the Income & Expenditure Account	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	-144,485	2,949	-	-141,536	-	-141,536
Surplus or Deficit on associates or joint ventures	-	-	-	-	-	-
Interest and Investment Income	-	-	1,672	1,672	-1,672	-
Income from Council Tax	-	-	-	-	-243,486	-243,486
Government Grants and Contributions	-477,330	-1,635	-	-478,965	-161,205	-640,170
Capital Grants and Contributions	-	-	-	-	-66,085	-66,085
Total Income	-621,815	1,314	1,672	-618,829	-472,448	-1,091,277
Employee Expenses	485,603	-134,001	-	351,602	-	351,602
Other Service Expenses	537,968	-1,555	-38,206	498,207	28,300	526,507
Support Service Recharges	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	75,214	-	75,214	-	75,214
Interest Payments	-	-	-17,941	-17,941	17,941	-
Precepts & Levies	-	-	-267	-267	267	-
Gain or Loss on Disposal of fixed Assets	-	-	-	-	12,239	12,239
Impairment of Investments	-	-	-	-	271	271
Total Operating Expenses	1,023,571	-60,342	-56,414	906,815	59,018	965,833
Surplus or Deficit on the Provision of Services	401,756	-59,028	-54,742	287,986	-413,430	-125,444

Service Information for the year ended 31st March 2012

	Children & Young People	Community Adult Care	Environment	Community Safety	Strategy & Challenge/ Business Support Services	Technical & Corporate	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	-21,796	-76,838	-8,057	-2,405	-3,615	-4,014	-116,725
Government Grants	-332,955	-16,983	-1,277	-298	-143	-837	-352,493
Total Income	-354,751	-93,821	-9,334	-2,703	-3,758	-4,851	-469,218
Employee Expenses	275,590	45,165	14,231	19,208	21,913	2,395	378,502
Other Operating Expenses	139,199	212,581	58,167	7,888	-5,262	74,384	486,957
Support Service Recharges	7,874	7,541	2,425	880	-12,893	-5,827	-
Total Operating Expenses	422,663	265,287	74,823	27,976	3,758	70,952	865,459
Net Cost of Services	67,912	171,466	65,489	25,273	-	66,101	396,241

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

	£'000
Cost of Services in Service Analysis	396,241
Add Technical Accounting Adjustments	9,329
Removal of amounts reported to management but not included in the Comprehensive Income and Expenditure Statement.	-32,246
Net Cost of Services in Comprehensive Income and Expenditure Statement	373,324

Reconciliation to Subjective Analysis

2011/12

	Service Analysis	Technical Accounting Adjustments	Items not included in the Income & Expenditure Account	Net cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other service Income	-116,725	-	-	-116,725	-	-116,725
Surplus or deficit on associates or joint ventures	-	-	-	-	-	-
Interest and Investment income	-	-	2,187	2,187	-2,187	-
Income from Council Tax	-	-	-	-	-245,384	-245,384
Government Grants and Contributions	-352,493	2,561	-	-349,932	-152,161	-502,093
Capital Grants and Contributions	-	-	-	-	-57,822	-57,822
Total Income	-469,218	2,561	2,187	-464,470	-457,554	-922,024
Employee Expenses	378,502	8,692	-	387,194	-	387,194
Other Service Expenses	486,957	-74,905	-16,241	395,811	16,241	412,052
Support Service Recharges	-	-	-	-	-	-
Depreciation, Amortisation and Impairment	-	72,981	-	72,981	-	72,981
Interest Payments	-	-	-17,469	-17,469	17,469	-
Precepts & Levies	-	-	-268	-268	268	-
Gain or Loss on Disposal of fixed Assets	-	-	-	-	52,353	52,353
Impairment of Investments	-	-	-455	-455	455	-
Total Operating Expenses	865,459	6,768	-34,433	837,794	86,786	924,580
Surplus or Deficit on the Provision of Services	396,241	9,329	-32,246	373,324	-370,768	2,556

23. Acquired and Discontinued Operations

The Council had no acquired or discontinued operations during 2011/12.

24. Trading Operations

The Council had no trading operations during 2011/12.

25. Agency Services

The Council supplies goods and services to other public bodies, including other councils, health bodies, charities, and voluntary organisations. The majority of this income and expenditure relates to the provision of administrative, professional and technical assistance by the Support Services.

	Restated 2010/11 £'000	2011/12 £'000
Police	368	376
Fire & Rescue	-	1
Probation	59	89
Crown Courts	97	224
Academy Schools	-	584
Learning & Skills Council	10	-
Further Education	242	50
Health Trusts	399	188
Other Local Authorities	261	81
Other	144	326
Total	1,580	1,919

26. Pooled Budgets

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

Provision of mental health services with Gloucestershire Primary Care Trust (integrated budget)

A new partnership agreement with Gloucestershire Primary Care Trust to jointly commission mental health services came into place from 1st April 2011. '2gether' NHS Foundation Trust provide these services to the partnership. Previously the Council had a partnership agreement with '2gether' NHS Foundation Trust to provide these services.

In 2011/12 the Council's share of the gross expenditure of the partnership was £6.74m (£6.75m in 2010/11), gross income was £0.39m (£0.39m in 2010/11) and the Council's contribution was £6.35m (£6.36m in 2010/11)

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

In 2011/12 the gross expenditure of the partnership was £3.4m (£3.5m in 2010/11), gross income was £0.4m (£0.4m in 2010/11) and the Council's contribution was £3.0m (£3.1m in 2010/11)

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

In 2011/12 the gross expenditure of the partnership was £4.1m (£4.0m in 2010/11), gross income was nil (nil in 2010/11) and the Council's contribution was £1.5m (£1.5m in 2010/11)

With effect from 1st April 2011, Lead Commissioning responsibility for the Integrated Community Equipment Service (ICES) was transferred from Gloucestershire Health to the Council. Ownership of Funds to purchase NHS elements of the ICES was transferred to the Council. Expenditure continues to be subject to the requirement that these funds are spent in a way that reflects the financial contribution of each Partner to the Pooled Fund for this Individual Service.

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

2010/11 was the final financial year where the pooled budget arrangement was in place (Health's share of the Brandon Trust Contract being received by the Council from the Gloucestershire Primary Care Trust). 2011/12 was the first financial year where Health's share of the Brandon Trust Contract was received by the Council as part of a specific grant from the Department of Health – The Learning Disabilities and Health Reform Grant.

27. Members' Allowances

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

	Restated	2010/11	2011/12
	£'000	£'000	£'000
Basic Allowances		552	554
Special Responsibility Allowances		272	261
Total		824	815

28. Officers' Remuneration

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

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

The senior employees who received remuneration in excess of £50,000 for 2010/11 and 2011/12 are as follows:

Restated 2010/11

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

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

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

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

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

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

In 2011/12 the Council moved to a new operating model. The previous table shows the Council's interim management structure in 2010/11 pending the introduction of revised management arrangements. These interim arrangements make direct comparison with the 2011/12 position difficult.

2011/12

	Salary, Fees and Allowances £	Compensation for loss of Office £	Other Taxable Benefits £	Employer's Pension Contributions £	Total £
Commissioning Director: Adults ⁽¹⁾	71,948	-	62	16,476	88,486
Deputy Chief Executive ⁽²⁾	80,137	-	-	18,351	98,488
Director of Law & Administration	89,746	-	-	20,552	110,298
Commissioning Director: Communities & Infrastructure	89,746	-	26	20,552	110,324
Director: Strategy & Challenge	95,881	-	20	21,957	117,858
Director: Strategic Finance	96,247	-	18	22,040	118,305
Commissioning Director: Children & Families	99,497	-	-	22,785	122,282
Chief Fire Officer & Operations Director	120,146	-	-	25,591	145,737
Chief Operating Officer	129,090	-	22	29,562	158,674
Chief Executive: Mr P Bungard	161,235	-	211	36,923	198,369
	1,033,673	-	359	234,789	1,268,821

(1) The Commissioning Director: Adults was appointed in July 2011. The full year salary for 2011/12 would have been £99,497.44.

(2) The Deputy Chief Executive works 22.2 hours per week. The whole time equivalent salary for 2011/12 is £133,562.

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

The table reflects the total remuneration, including compensation for loss of office (redundancy), received by employees as at 31st March 2012, not just an employee's gross salary. The Council is undertaking a major restructuring of services which is resulting in a number of early retirements and redundancies. Costs associated with these staffing reductions are included within the remuneration package for 2011/12, resulting in some employees being in higher bands than 2010/11.

Remuneration band	Total Number of Employees			
	Restated	2010/11		2011/12
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	104	53	72	42
£55,000 - £59,999	61	30	53	29
£60,000 - £64,999	24	21	23	19
£65,000 - £69,999	9	4	4	9
£70,000 - £74,999	7	4	2	9
£75,000 - £79,999	7	2	6	1
£80,000 - £84,999	7	2	7	2
£85,000 - £89,999	2	3	-	4
£90,000 - £94,999	1	1	1	2
£95,000 - £99,999	2	5	-	5
£100,000 - £104,999	-	-	1	2
£105,000 - £109,999	2	-	-	1
£110,000 - £114,999	-	1	-	-
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	1	-	-	1
£125,000 - £129,999	1	1	-	1
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£150,000 - £154,999	-	-	-	-
£155,000 - £159,999	-	-	-	-
£160,000 - £164,999	-	2	-	1
Total	228	129	169	128

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

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

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

Restated 2010/11

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	104	75	179	1,101,736
£20,001 - £40,000	16	26	42	1,144,233
£40,001 - £60,000	12	12	24	1,182,945
£60,001 - £80,000	2	7	9	615,524
£80,001 - £100,000	-	1	1	80,185
£100,001 - £150,000	-	3	3	315,189
Total	134	124	258	4,439,812

2011/12

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	212	195	407	2,610,954
£20,001 - £40,000	28	57	85	2,403,872
£40,001 - £60,000	9	25	34	1,614,229
£60,001 - £80,000	-	8	8	554,507
£80,001 - £100,000	-	2	2	178,207
£100,001 - £150,000	-	2	2	247,140
Accruals/Provision	-	-	77	2,441,097
Total	249	289	615	10,050,006

The total cost of £10,050,006 in the table above includes £7,608,909 for exit packages that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year. In addition the Comprehensive Income and Expenditure Statement includes a provision for £582,186 which has been agreed and is payable to 29 officers

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

29. External Audit Costs

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

	Restated 2010/11 £'000	2011/12 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	234	200
Fees payable to the Audit Commission in respect of statutory inspections	-	-
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	15	16
Fees payable in respect of other services provided by the Audit Commission during the year	4	10
Total	253	226

30. Deployment of Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2011/12 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2011/12	-	-	377,803
Brought forward from 2010/11	-	-	3,953
Carry forward to 2012/13 agreed in advance	-	-	-
Agreed initial budgeted distribution in 2011/12	56,528	325,228	381,756
In year adjustments *	-1,532	-91,031	-92,563
Final budget distribution for 2011/12	54,996	234,197	289,193
Actual central expenditure	-49,194	-	-
Actual ISB deployed to schools	-	-234,197	-
Local authority contribution for 2011/12	-	-	-
Carry forward to 2012/13	5,802	-	5,802

* In year adjustments represent DSG recoupment in respect of academy conversions

31. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12.

Credited to Taxation and Non Specific Grant Income		Restated	2011/12
		2010/11	£'000
		£'000	£'000
Revenue Support Grant		-14,830	-32,546
National Non Domestic Rates Grant		-102,126	-105,290
Non Service Related Grants		-44,249	-14,325
Total		-161,205	-152,161

Revenue Grants Credited to Services		Restated	2011/12
		2010/11	£'000
		£'000	£'000
Department for Work & Pensions - Workstep Grant		-378	-4
Department for Children's Schools & Families Grants		-78,284	-29,774
Department for Children's Schools & Families - Dedicated Schools Grant		-319,980	-286,633
Department of Health Grants		-2,617	-14,117
Community & Local Government Grants		-6,203	-1,066
South West Regional Development Agency Grants		-1,603	7
Youth Justice Board Grant		-1,002	-776
Young Peoples Learning Agency Grants		-53,785	-14,944
Other Grants		-11,246	-2,502
Skills Funding Agency		-3,867	-115
Total		-478,965	-349,924

		Restated	2011/12
		2010/11	£'000
		£'000	£'000
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Account		-66,085	-57,822

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

Capital Grants Receipts in Advance		Restated	2011/12
		2010/11	£'000
		£'000	£'000
Department for Transport Grants		-1,232	-565
Department for Children's Schools and Families General		-2,109	-
Department for Children's Schools and Families Specific		-23,287	-39,564
Department for Communities and Local Government		-	-8,129
Other Capital Grants		-678	-262
Non Government Contributions for Capital purposes		-21,235	-10,984
Highways Section 106 Contributions		-11,492	-11,629
Total		-60,033	-71,133

32. Related Parties

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

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are set out in the subjective analysis in Note 22 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March 2012 are shown in Note 31.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 25. Details of all member interests are recorded in the Register of Members' Interest, open to public inspection at Shire Hall during office hours or on the Council website.

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

From the 2011/12 financial year the Pension Fund's "in-house" surplus cash balances have been held in the Pensions Fund's own bank account and in various instant access call accounts and Money Market Funds. The Council administers the Pension Fund's named accounts within its Treasury Management department. A total average balance of £5.8m (£7.3m in 2010/11) was held in the Pension Fund accounts for 2011/12 gaining interest of £0.056m (£0.053m in 2010/11). The Council charged £1.16m (£1.17m in 2010/11) for administering the Pension Fund. At 31st March 2012, the Council owed the Pension Fund £563.9k (£552.99k in 2010/11) and was owed £191.5k (£207.7k in 2010/11) by the Pension Fund.

Entities Controlled or Significantly Influenced by the Council

Through the partnership contract with Atkins, the percentage top-slice the Council apply to all spend through Atkins changes from year to year due to fluctuating turnover and relatively fixed overheads. During 2011/12 the percentage was set at 19% to recover overheads. Ordered works and services supplied by Atkins are invoiced at cost. Atkins recover their overheads (e.g. head office costs, management fees, accommodation, IT, etc) by way of tendered lump sums adjusted each year for inflation. Profit is earned through performance, scored each year against a set of performance indicators.

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

In effect, the top-slice percentage is a proxy to a traditional fee percentage, absent in our contract. It covers profit, overhead and risk, leaving the costs passed onto the Council for works or services inclusive of any discounts or rebates so we pay exactly what the contractor pays to provide the same. We operate open book accounting and have access to any of the financial systems maintained by Atkins.

At the year end there is inevitably the need to allow a provision in the accounts for overheads. This is due to certain components of the top-slice not being finalised in 2011/12. These include the final performance score, concluded in the following year, which is used to calculate the final bonus payment, overhead charges due on turnover specified in the Contract, and the Contractor's share of target contracted schemes also concluded in the following year.

There is a contractual arrangement between the Council and the Brandon Trust for the provision of Learning Disabilities Services. In 2011/12 payments of £10.9m (£11.2m in 2010/11) were made to the Brandon Trust, of this £7.1m (£7.2m in 2010/11) was funded by the Learning Disabilities and Health Reform Grant which was received by the Council from the Department of Health. A further £0.4m was collected as client contributions (£0.5m in 2010/11), leaving £3.4m (£3.5m in 2010/11) as the Council contribution.

2010/11 was the final financial year where the pooled budget arrangement was in place (Health's share of the Brandon Trust Contract being received by the Council from the Gloucestershire Primary Care Trust). 2011/12 was the first financial year where Health's share of the Brandon Trust Contract was received by the Council as part of a specific grant from the Department of Health – The Learning Disabilities and Health Reform Grant.

There is a contractual arrangement between the Council and Gloucestershire Care Partnership for the provision of places in care homes for older people, which involves sub-letting this to Order of St John Care Trust and Bedford Pilgrims Housing Association. In 2011/12 payments of £16.1m (£16.1m in 2010/11) were made to the Order of St John Care Trust in relation to this contract.

In 2011/12 the Council provided funding for 63 Police Officers via Gloucestershire Police Authority at a cost of £2.15m (£2.12m in 2010/11), which is contained within Environmental and Regulatory Services. The Council also supplied support services for which it charged £469,072 in 2011/12 (£444,502 in 2010/11). This amount is included within the total shown in Note 25. At 31st March 2012, Gloucestershire Police Authority owed the Council £83,797 (2011 £11,858). During the year, in addition to the services provided to Gloucestershire Police Authority, the Council also purchased goods and services totalling £1.23m from Gloucestershire Police Authority (2010/11 £0.897m). The balance owed to Gloucestershire Police Authority as at 31st March 2012 was £27,899 (2011 £424).

GFirst is the trading name for the working relationship of Gloucestershire Development Company and Gloucestershire County Council. During 2011/12 Gloucestershire Development Company applied for and was successful in obtaining LEP (Local Enterprise Partnership) status. This change meant that Board changes were made and Duncan Jordan (Council Director) resigned as a Board member and Charles Fellows (Councillor) was appointed. In the year, 2 major projects, City Employment Plan and Business Parks both spanning over 3 years were completed and invoiced. During the year Gloucestershire Development Company invoiced the Council for services totalling £1.572m with a balance of £0.411m outstanding at the 31st March.

33. Capital Expenditure and Capital Financing

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

	Restated 2010/11 £'000	2011/12 £'000
Opening Capital Financing Requirement	415,042	437,485
Property, Plant and Equipment	66,256	47,552
Investment Properties	-	-
Intangible Assets	-	-
Revenue Expenditure Funded from Capital under Statute	45,536	38,433
	111,792	85,985

Sources of finance

Capital Receipts	-4,240	-9,115
Government Grants and other Contributions	-65,433	-56,932
Direct Revenue Contributions	-2,810	-8,385
Borrowing	-22,723	30,364
MRP	-16,586	-17,485
VRP	-	-24,432
	-111,792	-85,985
Closing Capital Financing Requirement	437,485	416,026

Explanation of movements in year

Increase/decrease in underlying need to borrowing (supported by Government financial assistance)	21,710	-30,364
Increase in underlying need to borrowing (unsupported by Government financial assistance)	1,013	-
Adjustment as a result of putting on Balance Sheet PFI	-280	-
Assets acquired under Finance Leases	-	-
Assets acquired under PFI/PPP contracts	-	8,905
Increase/Decrease (-) in Capital Financing Requirement	22,443	-21,459

Capital Expenditure 2011/12

	£'000	%
Enabling & Transition		
Capitalised Revenue	1,259	
Business Management - general	633	
Rural Services	538	
	2,430	3
Adults	2,488	
	2,488	3
Children & Families		
Schools	38,433	
Other Capital Maintenance	4,185	
Youth & Community	71	
	42,689	49
Communities & Infrastructure		
Community Safety Misc.	-	
Coroners & Registration	2,044	
Fire & Rescue	932	
Trading Standards	-	
Archives	-	
Libraries	209	
Economic Development	-	
Waste Disposal	331	
Transportation	34,862	
	38,378	45
	85,985	100

34. Borrowing Profile

	Restated 2010/11 £'000	2011/12 £'000
Less than one year	37,361	46,329
Between one and two years	22,050	9,863
Between two and five years	19,590	14,590
Between five and ten years	51,889	62,171
Between ten and fifteen years	36,545	21,400
Between fifteen and twenty years	28,000	30,000
Between twenty and twenty-five years	16,000	14,000
Between twenty-five and thirty years	19,536	24,968
Between thirty and thirty-five years	28,313	29,203
Between thirty-five and forty years	37,379	56,057
Between forty and forty-five years	40,000	15,000
More than forty-five years	15,000	15,000
Finance Lease Liability	1,611	8,973
	353,274	347,554

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

35. Leases

The Council accounts for leases in accordance with its Statement of Accounting Policies (page 9)

Council as Lessee

Finance Leases

Other than those schemes undertaken through the Private Finance Initiative as reported in Note 36, there were no further finance leases identified by the Council during 2011/12

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
2010/11			
Property	782	2,268	2,099
Vehicles:			
Fire Service	406	594	-
Other Services	336	727	46
Officer Contract car-hire	198	438	1
	1,722	4,027	2,146
2011/12			
Property	679	1,953	1,728
Vehicles:			
Fire Service	378	250	-
Other Services	260	505	8
Officer Contract car-hire	184	254	-
	1,501	2,962	1,736

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:

	Restated	
	2010/11	2011/12
	£'000	£'000
Property		
Vehicles:	795	783
Fire Service	443	415
Other Services	337	337
Officer Contract car-hire	198	198
	1,773	1,733

Council as Lessor**Finance Leases**

There were no Finance leases identified by the Council during 2011/12

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
2010/11			
Property	2,327	7,561	7,580
	2,327	7,561	7,580
2011/12			
Property	2,270	6,222	6,647
	2,270	6,222	6,647

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

	2010/11	2011/12
	£'000	£'000
Property	2,315	2,327
	2,315	2,327

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.

36. Private Finance Initiatives and Similar Contracts

Fire Service Joint Training Centre PFI Scheme

2011/12 was the ninth 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 5.

Payments

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

Payments remaining to be made under the PFI contract at 31st March 2012 (excluding any estimation of inflation and availability/performance deductions) are as follows:

		Payment	Reimbursement	Interest	Total
		for Services	of Capital Expenditure	£'000	£'000
Restated					
2010/11					
£'000		£'000	£'000	£'000	£'000
608	Paid in 2011/12	374	102	147	623
Outstanding undischarged contract obligations:					
623	Payable within one year	383	112	143	638
2,649	Payable within two to five years	1,629	550	536	2,715
3,697	Payable within six to ten years	2,273	983	533	3,789
4,178	Payable within eleven to fifteen years	2,569	1,428	285	4,282
1,819	Payable within sixteen to twenty years*	553	352	16	921
12,966	Total	7,407	3,425	1,513	12,345

* There are sixteen years remaining.

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

	Restated	2010/11	2011/12
		£'000	£'000
Balance outstanding at start of year		1,942	1,662
Payments during the year		-52	-50
Capital expenditure incurred in the year		-	-
Adjustment to outstanding balance		-228	-
Balance outstanding at year-end		1,662	1,612

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

	Restated 2010/11 £'000	2011/12 £'000
Opening Net Book Value	1,942	1,771
Depreciation	-53	-104
Additions	-	7
<u>Adjustment</u>	<u>-118</u>	<u>-</u>
	1,771	1,674

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. Two of the new Fire Stations were handed into the control of the Fire Service during March 2012. The PFI scheme runs for twenty-five and a quarter years to June 2037 and the fire stations become the property of the Fire & Rescue Service at the end of the contract agreement. Each station includes community facilities that can be hired by local groups and organisations. The SkillZONE centre in Gloucester will be an educational facility aimed at teaching key safety messages to different parts of the community.

Property, Plant and Equipment

The Council's assets used to provide services at the Fire Stations and Life Skills Centre are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 5.

Payments

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

Payments remaining to be made under the PFI contract at 31st March 2012 (including an estimation of inflation and excluding estimations of availability/performance deductions) are as follows:

Restated 2010/11 £'000	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
- Paid in 2011/12	9	23	-	32
Outstanding undischarged contract obligations:				
- Payable within one year	877	1,466	788	3,131
- Payable within two to five years	3,732	2,435	7,161	13,328
- Payable within six to ten years	5,214	5,465	7,943	18,622
- Payable within eleven to fifteen years	5,899	8,603	6,567	21,069
- Payable within sixteen to twenty years	6,674	12,264	4,898	23,836
- Payable within twenty-one to twenty-five years	7,551	16,938	2,480	26,969
- Payable within twenty-six to thirty years*	406	999	46	1,451
- Total	30,353	48,170	29,883	108,406

* There are twenty-five and a quarter years remaining.

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

	Restated 2010/11 £'000	2011/12 £'000
Balance outstanding at start of year	-	-
Payments during the year	-	-23
Capital expenditure incurred in the year	-	8,905
Balance outstanding at year-end	-	8,882

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

	Restated 2010/11 £'000	2011/12 £'000
Opening Net Book Value	-	-
Depreciation	-	-
Additions	-	8,905
8,905	-	8,905

Arrangements that contains a lease

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

Service Concessions

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

There were no service concession identified by the Council during 2011/12.

37. Impairment Losses

Capital Impairment Loss

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

No impairment adjustment has been made to reflect a significant decline in market values in Gloucestershire in 2011, as this is not believed to be the case. Over the last 3 years the Council has reassessed a significant proportion of its interests since the market peak of 2007. Without evidence to the contrary it is not considered appropriate to adjust for impairment due to "a significant decline in the market value of (property) assets".

Icelandic Bank Impairment Loss

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

Institution	Principal £'000	Interest Rate	Date Invested	Maturity Date	Carrying Amount at 31st March 2012	Impairment at 31st March 2012
					£'000	£'000
Heritable	2,000	6.15%	19.10.07	17.10.08	906	496
Glitnir	2,900	6.19%	07.11.07	05.11.08	619	619
Glitnir	3,000	5.75%	02.01.08	02.12.08	670	670
Glitnir	3,000	5.50%	31.01.08	23.01.09	711	711
Landsbanki	1,600	5.67%	03.01.08	02.01.09	1,439	491
	12,500				4,345	2,987

The carrying amount of the investments above have been calculated by applying LAAP 82 (Update 6), using the net present value of the expected repayments, discounted using the investments original interest rate. The total value recorded in the balance sheet is £3.059m, reflecting the outstanding principal position only.

The court case is now concluded and for both Landsbanki and Glitnir the Council has been awarded priority status. An impairment reserve was created during 2009/10 with a balance of £7.3m. This has now been reduced to £3.2m following successful recovery of the majority of the monies held with Glitnir. This impairment reserve will be further reduced as further payments are made as the impairment loss is now a lot lower and currently is estimated at £2.99m.

Heritable Bank

Heritable Bank is a UK registered bank under Scottish law. The company was placed in administration on 7th October 2008. To date payments of £1.519m have been received and total recovery is estimated at 88%. The revised repayment schedule is as follows:

April 2012	3.79%
July 2012	3.50%
October 2012	3.50%
January 2013	3.50%
April 2013	5.81%

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

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following the successful conclusion of the court case recovery is expected to be 100%.

To date two payments have now been received, totalling £0.696m. An element of the claim was also made in Icelandic Krona, and due to currency restrictions this money will be held in a escrow account earning interest at 3.35%. Future payments are expected as follows.

December 2012	7.00%
December 2013	7.00%
December 2014	7.00%
December 2015	7.00%
December 2016	7.00%
December 2017	7.00%
December 2018	8.00%

Glitnir Bank

Glitnir Bank hf is an Icelandic entity. Following successful conclusion of the court case recovery is 100%, which was paid in full during 2011/12. The amount recovered totalled £7.4m, with the rest paid in Icelandic Krona.

An element of the claim was made in Icelandic Krona, and due to currency controls operating in Iceland, this money will be held in an escrow account earning interest at 3.4%. It is estimated that the deposit now held in Icelandic Krona totals £1.7m.

38. Termination Benefits

The Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £7.895m (£4.440m in 2010/11). Note 28 provides details of the number of exit packages and total cost per band.

39. Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

In 2011/12, the Council paid £17.8m to the Teachers' Pensions Agency (TPA) in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £26.1m and 14.1%. The reduction results mainly from schools which have converted to Academies and therefore have left Local Authority control. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the pensions liability. The costs are accounted for on a defined benefit basis and detailed in Note 40.

These additional benefits, including unfunded compensation, are paid directly by the Council for retirements up to 1999 (£3.04m) and via the TPA for retirements post 1999 (£1.1m). Together these additional benefits costs totalled £4.18m in 2011/12 representing 3.3% of pensionable pay.

40. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post employment schemes:

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

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	29,284	21,042	4,300	3,800
Past service costs / gains (-)	-103,847	629	-15,300	1,600
Losses / Gains (-) on settlements and curtailments	-4,462	-18,194	-	-
Financing and Investment Income and Expenditure				
Interest cost	59,579	49,829	7,400	7,300
Expected return on scheme assets	-38,680	-40,888	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	-58,126	12,418	-3,600	12,700
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure				
Actuarial gains and losses (Recognised)	-	-	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure	-58,126	12,418	-3,600	12,700

Following a decision taken by the Audit Commission, on the accounting treatment of injury benefits, the funds Actuary has re-issued the 2010/11 IAS19 Fire reports. The figures in this note reflect the changes made.

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	Restated 2010/11 £'000	2011/12 £'000	Restated 2010/11 £'000	2011/12 £'000
	Movement in Reserves Statement			
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	95,668	22,682	7,300	-9,200
	95,668	22,682	7,300	-9,200

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

Employers' contributions payable to scheme	33,067	30,452	3,700	3,500
Employers' contributions payable to scheme for unfunded LGPS benefits (Discretionary)	4,475	4,648	-	-
Total employers contributions	37,542	35,100	3,700	3,500

Retirement benefits payable to pensioners 4,800 4,300

In addition to the recognised gains and losses included in the above, actuarial gains and losses of -£72.7m (see 1 below in "Asset and Liabilities in relation to Post-employment benefits") (2010-11 £206.97m) were included in the Comprehensive Income and Expenditure Statement. The cumulative amount of actuarial gains and losses recognised by the actuary for the Local Government Scheme only is -£295.5m, which is based on the full available history of Actuarial gains and Losses for the Council.

Within the actuarial loss of -£72.7m shown above is a loss of -£30.9m resulting from changes in actuarial assumptions.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Firefighters' Pension Scheme	
	Restated 2010/11 £'000	2011/12 £'000	Restated 2010/11 £'000	2011/12 £'000
	Closing balance at 31st March			
Opening balance at 1 st April	-1,167,114	-930,815	-146,000	-131,200
Current service cost	-29,284	-21,042	-4,300	-3,800
Interest cost	-59,579	-49,829	-7,400	-7,300
Contributions by scheme participants	-9,517	-7,967	-1,000	-900
Actuarial gains and losses	188,857	-46,353 1	7,400	-4,500 1
Benefits paid	31,940	34,023	4,800	4,300
Benefits paid for unfunded LGPS benefits (Discretionary)	4,475	4,648	-	-
Past service costs	103,847	-629	15,300	-1,600
Entity combinations	-	-	-	-
Curtailments	-1,522	-3,255	-	-
Settlements	7,082	31,166	-	100
Closing balance at 31st March	-930,815	-990,053	-131,200	-144,900

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

	Local Government Pension Scheme	
	Restated 2010/11 £'000	2011/12 £'000
Opening balance at 1 st April	556,260	615,201
Expected rate of return	38,680	40,888
Actuarial gains and losses	10,715	-21,849 ¹
Employer contributions	33,067	30,452
Employer contributions for unfunded LGPS benefits (Discretionary)	4,475	4,648
Contributions by scheme participants	9,517	7,967
Benefits paid	-31,940	-34,023
Benefits paid for unfunded LGPS benefits (Discretionary)	-4,475	-4,648
Entity combinations	-	-
Settlements	-1,098	-9,717
Closing balance at 31st March	615,201	628,919

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

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

The actual return on scheme assets in the year was £19.2m (2010/11: £44.4m).

Scheme History	As Restated				
	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Present value of liabilities:					
Local Government Pension Scheme	-668,391	-662,196	-1,091,393	-869,892	-926,123
* Discretionary added years (Teachers)	-60,717	-60,850	-75,721	-60,923	-63,929
Firefighters Pension Schemes (unfunded) - Revised	-99,600	-105,400	-152,600	-131,200	-144,900
Total Liabilities	-828,708	-828,446	-1,319,714	-1,062,015	-1,134,952
Fair value of assets in the Local Government Pension	478,297	383,934	556,260	615,201	628,919

Surplus/(deficit) in the scheme:

Local Government Pension Scheme	-190,094	-278,262	-535,133	-254,691	-297,204
* Discretionary added years (teachers)	-60,717	-60,850	-75,721	-60,923	-63,929
Firefighters Pension Schemes (unfunded) - Revised	-99,600	-105,400	-152,600	-131,200	-144,900
Total	-350,411	-444,512	-763,454 [#]	-446,814 [#]	-506,033

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

The main reasons for the change in the deficit of £316 million between these two years 09/10 and 10/11 consists of the following items shown for 2010/11 within the above **Assets and Liabilities in Relation to Post-employment Benefits** table. Within Liabilities, the "Actuarial gains and losses" (change in long term inflation expectations) and "Past service costs" (change from RPI to CPI to calculate pension increases). Within Assets, the "Actuarial gains and losses" (asset returns greater than anticipated by the actuary). Previously the figure had been reported as £310m but has been amended due to revised fire reports.

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £506m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £506m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31st March 2013 is £26.6m. Expected contributions for the Firefighters' Pension schemes in the year to 31st March 2013 are £1.6m.

Basis for Estimating Assets and Liabilities

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

	Local Government Pension Scheme	Unfunded liabilities: Firefighters' Pension		
	2010/11	2011/12	2010/11	2011/12
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.5%	6.2%	-	-
Bonds	4.9%	3.9%	-	-
Property	5.5%	4.4%	-	-
Cash	4.6%	3.5%	-	-
Mortality assumptions:				
Longevity (yrs) at 65 (60 for Fire) for current pensioners:				
Men	21.7	21.7	27.9	27.9
Women	23.6	23.6	30.8	30.8
Longevity (yrs) at 65 for future pensioners:				
(Figures assume members aged 45 as at the last formal valuation date)				
Men	23.5	23.5	29.5	29.5
Women	25.8	25.8	32.3	32.3
Rate of inflation (RPI)	3.6%	3.1%	3.6%	3.3%
		as at 31/12/11		as at 31/03/12
Rate of increase in salaries	4.6%**	4.3%*	4.6%	3.5%
Rate of increase in pensions (changed to CPI from 10/11)	2.8%	2.5%	2.8% ***	2.5%***
Rate for discounting scheme liabilities	5.5%	4.8%	5.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum	50% ⁺ 75% [#]	50%⁺ 75%[#]	90%	90%

⁺ Pre Apr 2008 Service

[#] Post Apr 2008 Service

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

** Salary increases are 1% p.a. nominal for period to 31st March 2012, reverting to the long term rate thereafter.

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

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

	31 st March 2011	31 st March 2012
Equity investments	68%	71%
Bonds	24%	21%
Property	6%	6%
Cash	2%	2%
	100%	100%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Local Government Pension Scheme					
Differences between the expected and actual return on assets	-11.0	-36.7	24.0	1.7	-3.5
Experience gains and losses on liabilities	12.6	0.4	0.2	6.1	-1.6
Firefighters Pension Scheme (FPS) - Revised					
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	-0.8	-1.5	-2.2	-3.8	-0.8
Firefighters Pension Scheme (New FPS) - Revised					
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	-	26.6	-35.5	-12.9	-14.3

41. 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. There are no material contingent liabilities in 2011/12.

42. Contingent Assets

Contingent assets are disclosed by way of note where inflow of a receipt or economic benefit is probable. There are no contingent assets in 2011/12.

43. Nature and extent of risks arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £94m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2012 that this was likely to crystallise.

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

	Amount at 31 st March 2012	Historical experience of default	Historical experience adjusted for market conditions at 31 st March 2012	Estimated maximum exposure to default and uncollectability	Estimated maximum exposure at 31 st March 2012
	£'000	%	%	£'000	£'000
Deposits with Banks & Financial Institutions	160,221	-	1	455	455
Customers	19,589	3.6	4	735	735
	179,810			1,190	1,190

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

The Council's debtors, including any payments in advance made by the Council totalled £39.625m as at 31st March 2011, 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 2012 these debts totalled -£0.735m.

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

	Restated 2010/11 £'000	2011/12 £'000
Less than a month	5,170	15,985
One to three months	807	1,558
Three to six months	433	395
More than six months	1,424	1,651
	7,834	19,589

Liquidity Risk

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

	Restated 2010/11 £'000	2011/12 £'000
Less than one year	37,361	46,329
Between one and two years	22,050	9,863
Between two and five years	19,590	14,590
Between five and ten years	51,889	62,171
Between ten and fifteen years	36,545	21,400
Between fifteen and twenty years	28,000	30,000
Between twenty and twenty-five years	16,000	14,000
Between twenty-five and thirty years	19,536	24,968
Between thirty and thirty-five years	28,313	29,203
Between thirty-five and forty years	37,379	56,057
Between forty and forty-five years	40,000	15,000
More than forty-five years	15,000	15,000
Finance Lease Liability	1,611	8,973
	353,274	347,554

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 Authority.

According to this assessment strategy, at 31st March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	150
Increase in interest receivable on variable rate investments	-657
Impact on Surplus or Deficit on the Provision of Services	-507

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

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

Price Risk

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

Foreign Exchange Risk

The Council's exposure to foreign exchange rates includes the operation of a Euro account to facilitate foreign transactions and deposits with Icelandic banks currently held in Icelandic Krona. The sterling value of the Euro account will fluctuate in line with movements in exchange rates. The balance of the account is maintained at around £35,000 so the exposure to loss is not significant. An amount of approximately £1.7m is held in Icelandic Krona which represents the balance of deposits made with Glitnir, and an allocation in Krona for Landsbanki. Due to currency restrictions in Iceland, these amounts cannot currently be converted into Sterling. They will remain in Escrow accounts in Iceland earning interest at a rate of 3.4% and 3.35% respectively. Once currency restrictions are lifted they will be converted to Sterling at Spot rates.

44. Publicity

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

	Restated 2010/11 £'000	2011/12 £'000
Staff recruitment advertising	546	298
Public relations, communications and tourism officers	431	485
Publications, marketing and promotion	803	469
Total	1,780	1,252

45. Trust Funds

At 31st March 2012 the Council acted as trustee for 4 trust funds. These funds do not represent assets of the Council and they have not been included in the Balance Sheet.

At the Edith Foster and Mary Playne Trust meeting held on 31st August 2011, it was agreed to transfer the trust to the guardianship of the Gloucestershire Community Foundation. Approval to the transfer was obtained from the Charity Commission on 9th September 2011. Therefore there is no closing balance for the Trust.

	Restated Balance at 31 st March 2011	Income	Expenditure	Balance at 31st March 2012
Libraries				
2 trusts providing books for libraries	2,771	2	-	2,773
Edith Foster and Mary Playne Trust				
Provided aid to college students	114,524	-	-	-
Gloucestershire Heritage Trust Ltd				
Preserves and renovates specific buildings and areas which are of historic interest	6,712	99	-	6,811
Gloucestershire War Relief				
The awarding of grants relating to service in the Great War	411	-	-	411
Total	124,418	101	-	9,995

46. Landfill Allowance Trading Scheme (LATS)

The estimated usage of permits during 2011/12 is 97,812. The permits allocated and used during the year have been valued at £nil in line with other local authorities. The council does not hold any unused allowances at year end.

47. Insurance

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

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

48. Deferred Liabilities

The amount of £2.692m represents the shares of the PFI project equalisation fund attributable to Avon Fire Authority and Devon & Somerset Fire Authority.

49. Council Tax Collection Fund Adjustment Account

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

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

The following statement outlines the balances held as at 31st March 2012:

Council Tax Collection Fund as at 31st March 2012	Council Tax Arrears after impairment allowance for doubtful/bad debt (Debtors) £'000	Council Tax overpayments and prepayments (Creditors) £'000	Collection Fund Surplus (-) /Deficit £'000	Cash (shown as Debtor or Creditor) £'000
Cheltenham Borough Council	951	-376	-319	-256
Cotswold District Council	593	-877	-297	581
Gloucester City Council	1,173	-35	-38	-1,100
Forest of Dean District Council	960	-81	-600	-279
Stroud District Council	760	-720	-574	534
Tewkesbury Borough Council	1,087	-154	-315	-618
Total	5,524	-2,243	-2,143	-1,138

50. Exceptional Items

Restructuring Costs

The fundamental review of the Council's role and organisational shape continued during 2011/12.

The total of the retirement and redundancy costs incurred as part of the "Meeting the Challenge" initiative for the year totalled £8.766m. Due to the nature of these costs, this has been treated as an exceptional item within the 2011/12 Comprehensive Income and Expenditure Statement.

Gloucestershire Pension Fund

Fund Account for the year ended 31st March 2012

2010/11 re-stated £'000	2011/12 £'000	Note
Dealings with members, employers and others directly involved in the scheme		
Contributions		
-60,123 from employers	-64,134	N21
-17,311 from members	-16,281	N21
<u>-77,434</u>	<u>-80,415</u>	N7
Transfers in from other pension funds		
-6,275 individual transfers in from other schemes	-3,906	
0 group transfers in from other schemes	-618	
<u>-6,275</u>	<u>-4,524</u>	
Other income		
-151 recoveries for services provided	-195	N23
Benefits		
47,810 pensions	51,606	
11,145 commutation of pensions and lump sum retirement benefits	11,928	
1,441 lump sum death benefits	1,875	
<u>60,396</u>	<u>65,409</u>	N7
Payments to and on account of leavers		
14 refunds of contributions	12	
-1 state scheme premiums	-4	
6,735 individual transfers out to other schemes	3,621	
0 group transfers out to other schemes	537	
<u>6,748</u>	<u>4,166</u>	
1,167 Administrative expenses	1,157	N9, N19 & N23
<u>-15,549</u> Net additions from dealings with scheme members	<u>-14,402</u>	
Returns on investments		
-25,369 Investment income	-27,879	N15
-22 Taxes on income	12	N3 & N15
-59,983 Profit and losses on disposal of investments and changes in value of investments	-9,357	N4
3,291 Investment management expenses	3,213	N19 & N24
<u>-82,083</u> Net returns on investments	<u>-34,011</u>	
-97,632 NET INCREASE (-) / DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR	-48,413	
1,053,544 Opening net assets of the scheme	1,151,176	
1,151,176 Closing net assets of the scheme	1,199,589	

Gloucestershire Pension Fund

Net Assets Statement as at 31st March 2012

2010/11 £'000	2011/12 £'000	Note
Investment assets		
174,936	165,810	
297,391	251,991	
76,355	77,829	
508,052	594,694	
63,325	75,074	
736	1,187	N17
3,526	4,254	N10
18,046	12,195	
6,731	8,442	
1,149,098	1,191,476	
Investment liabilities		
-1,497	-1,025	N17
-3,740	-4,591	
-5,237	-5,616	
Current assets		
3,514	4,512	N26
233	206	
5,155	10,357	N25
8,902	15,075	
Current liabilities		
-98	-13	
-1,489	-1,333	
-1,587	-1,346	
1,151,176	Net assets of the scheme available to fund benefits at the period end	1,199,589
		N5, N14 & N18

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

The actuarial present value of promised retirement benefits is disclosed at Note N27.

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

Gloucestershire Pension Fund

Notes

N1. Introduction

The County Council is the administering body for the Gloucestershire Local Government Pension Fund. This is not only for County Council employees but also for district councils within the County and other local bodies providing public services. A full list of all employing bodies who are members of the Fund are shown in the Pension Fund's Annual Report alongside the more detailed accounts of the Gloucestershire Pension Fund. The Local Government Pension Scheme is a statutory funded pension scheme. It is "contracted out" of the state scheme and is termed a defined benefit (or final salary) scheme. The scheme is made available to all (*) employees except fire fighters and teachers (who have their own separate nationally-administered schemes). The Fund is financed by contributions paid in by the existing employees and their employers and by earnings from the investment of Fund monies. The number of contributors at 31st March 2012 was 16,731 (2011 17,301).

The Fund is governed by the Superannuation Act 1972 and administered in accordance with the following secondary legislation:

- The LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The LGPS (Administration) Regulations 2008 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2009

A full analysis of membership can be found in the Pension Fund's Annual Report. The Fund exists to provide pensions to former employees and certain other benefits. The Pension Fund is not a Gloucestershire County Council fund and is subject to its own audit, therefore balances are not included in the Gloucestershire County Council Consolidated Balance Sheet. The Fund is administered by the Pension Committee, which is a committee of Gloucestershire County Council.

** There are restrictions with some casual staff*

N2. Accounting policies

Basis of preparation

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. The accounts are prepared on a going concern basis.

Accruals concept applied

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

Investment manager expenses

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

- Standard Life Investments - UK Equities
- GMO - Global Equities
- Hermes - Property Unit Trusts
- Acadian - Emerging Market Equities (last holding sold in Jan 2012)

Hermes deducts its fees from a combination of assets held and income distributions and Acadian, GMO and Yorkshire Fund Managers deduct their fees from the value of the assets under their management.

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

Administering authority recharges

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

Valuation of assets

The SORP requires securities to be valued on a Fair Value Basis therefore assets, where there is an active and readily available market price, are valued at the bid (selling) price and liabilities on an offer (buying) price basis. Where assets do not actively trade through established exchange mechanisms a price is obtained from the manager of the investment asset. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates prevailing as at 31st March 2012. Purchases and sales during the year which require settlement in a foreign currency are converted from/to sterling at the exchange rate prevailing on the trade date. Fixed interest securities are recorded at net market value based on their yields. Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is re-invested in the fund, net of applicable withholding tax. Property within the property unit trusts are independently valued in accordance with the Royal Institute of Chartered Surveyors valuation standards and Private Equity valued in accordance with the International Private Equity and Venture Capital Guidelines.

Cash

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

Derivatives

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

Acquisition and transaction costs of investments

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

N3. Taxation

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

N4. Investment movements summary

Asset Class	Market Value at 31st March 2011	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value, new money and accruals	Market Value at 31st March 2012
	£'000	£'000	£'000	£'000	£'000
Fixed Interest	174,936	125,544	147,898	13,228	165,810
Equities	297,391	*107,991	*124,308	-29,083	251,991
Index Linked	76,355	30,850	43,188	13,812	77,829
Derivatives	-761	-	371	1,294	162
Pooled Investments	508,052	979,230	906,314	13,726	594,694
Property Unit Trusts	63,325	10,242	-	1,507	75,074
Private Equity	3,526	405	-	323	4,254
	1,122,824	1,254,262	1,222,079	14,807	1,169,814
Cash movement, currency adjustments, and other end of year settlements	28,352			-5,450	29,775
	1,151,176			9,357	1,199,589

* Within these figures is an in-specie transfer of £29.9m from UK equities to global equities, as per the funds new strategic allocation.

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

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

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

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amount to £875,872 (2010/11 £601,375). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid/offer spread on investments within pooled investment vehicles. The amount of indirect costs are not separately provided to the Fund.

N5. Management of fund assets

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

	2010/11 £'000	%	2011/12 £'000	%
Western Asset Management Company	285,885	24.8	319,128	26.6
BlackRock	253,772	22.0	327,404	27.3
CBREI	-	-	10,426	0.9
GMO	176,715	15.4	197,845	16.5
Standard Life Investments	308,496	26.8	261,271	21.8
Hermes Investment Management Property Unit Trust	64,446	5.6	65,470	5.5
BNY Mellon Asset Management International	102	-	3	-
Acadian Asset Management	50,407	4.4	-	-
YFM Group	3,526	0.3	4,254	0.3
Total - External Managers	1,143,349	99.3	1,185,801	98.9
In-house cash and accruals	7,315	0.6	13,729	1.1
Cash instruments with Custodian	512	0.1	59	-
	1,151,176	100.0	1,199,589	100.0

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

N6. Actuarial position of the Fund

- In line with the Local Government Pension Scheme (Administration) Regulations 2008, 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 2010. This valuation was the relevant valuation for employer contributions required during the year to 31st March 2012. The next valuation will take place as at March 2013.
- The estimate of the pension fund liability is subject to significant variations, based on changes to the underlying assumptions used - see below.
- Results showed that the required level of contributions to be paid to the Fund by the County Council for the year to 31st March 2012, in accordance with the Fund's Funding Strategy Statement, was 22.9% (2010/11 21.9%) of pensionable pay. This rate of contribution is the rate which, in addition to the contributions paid by the members, is sufficient to meet:
 - ❖ 100% of the liabilities arising in respect of service after the valuation date;
 - ❖ plus an adjustment over a period of 20 years to reflect the shortfall of the value of the County Council's notional share of the Fund's assets over 100% of its accrued liabilities, allowing, in the case of members in service, for future pay increases.
- The market value of the Fund's assets at the March 2010 triennial valuation date was £1,054m (£950.5m March 2007) and represented 70.4% (74.1% March 2007) of the Fund's accrued liabilities, allowing for future pay increases. When a valuation reveals a deficiency, the employer contribution rates are adjusted to target restoration of a solvent position over a period of years (the recovery period). The recovery period applicable for each participating employer is set by the Administering Authority in consultation with the Scheme Actuary and employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund.
- The contribution rate has been calculated using the projected unit method in line with accepted guidelines and the main actuarial assumptions used are as follows:

Funding Basis

Rate of return on investments	6.1% per annum
Rate of general pay increases *	4.8% per annum
Rate of increase to pensions in payment (in excess of guaranteed minimum pension)	3.3% per annum

* An allowance is also made for promotional pay increases. Note that the assumption at 31 March 2010 is actually 1% pa for 2010/11 and 2011/12, reverting to 5.3% pa thereafter.

- The full actuarial valuation report for both 2007 and 2010 has been published on the County Councils website and can be viewed using the following web address:
www.goucestershire.gov.uk/pensionsinvestments
- See note N27 for details of the Actuarial Present Value of Promised Retirement Benefits.

N7. Analysis of contributions receivable and benefits payable

	2010/11		2011/12	
	Contributions receivable £'000	Benefits payable £'000	Contributions receivable £'000	Benefits payable £'000
Gloucestershire County Council <i>[administering authority]</i>	42,632	34,058	39,844	35,474
Scheduled bodies (89) <i>[bodies admitted by right]</i>	31,941	24,038	36,661	27,376
Admitted bodies (22) <i>[bodies admitted by agreement]</i>	2,861	2,300	3,910	2,559
	77,434	60,396	80,415	65,409

Scheduled bodies now include forty six schools who have converted to academy status; formerly these were included with the County Council.

N8. Statement of Investment Principles

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

N9. Related party transactions

Gloucestershire County Council, as Administering Authority for the Fund, provided services for which it charged the following amount:

	2010/11 £'000	2011/12 £'000
Administrative expenses	1,167*	1,157

* The 2010/11 comparative figure has been restated following reclassification of expenses including; custody, performance measurement and investment consultancy fees as investment management expenses. More detail is shown in Note N19.

Of the key management personnel, (whose remuneration is shown in Note 28 of the County Council's accounts), 10% of the Director: Strategic Finance's time was charged to the Fund.

A member of the Pension Committee, Councillor Lyndon Stowe is Cotswold District Council's nominated Shareholder for Ubico Limited. Ubico Limited has been accepted into the Fund as an Admitted body from 1st April 2012. One member of the Pension Committee, W Defraine, was a member of the Fund during 2011/12. This individual was the employee representative on the Committee.

Transactions between employers and the Fund are disclosed in note N7. Surplus cash balances are invested through the Council's short-term investment procedures.

N10. Contingent liabilities and contractual commitments

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

	Total Commitment £'000	Outstanding liability 2010/11 £'000	Outstanding liability 2011/12 £'000
Chandos Fund	3,000	1,438	1,032

N11. Contingent assets

Due to retrospective adjustments to how pension payments are made for Registration staff working additional hours or on a fee basis, a contingent asset of £41,579 has been recorded for possible additional contributions from ex members of staff, during 2012/2013 and future years.

N12. Unlisted holdings

The following holdings are unlisted:

	2010/11 £'000	2011/12 £'000
Pooled investment vehicles		
UK equity unitised insurance policy	6,926	6,287
Overseas equity managed funds	227,022	197,845
Overseas equity unitised insurance policies	253,772	281,953
Overseas limited liability partnerships	18,913	7,416
	<hr/>	<hr/>
	506,633	493,501
Property unit trusts		
UK property unit trust	0	5,652
Overseas property unit trust	0	4,685
	<hr/>	<hr/>
Total	506,633	503,838

N13. Stocklending

The Pension Funds' custodian has been authorised to release stock to third parties under a stock lending arrangement. At 31st March 2012 the value of stock out on loan was £2.7m (2010/11 £28.1m) of which £2.7m (£18.2m) were UK equities and £0 (£9.9m) were UK government stock. Collateral of £2.8m (£29.4m) equal to 105% (105%) of stock out on loan was held in the form of £2.0m (£1.8m) in FTSE 350 UK equities and £0.8m (£27.6m) in AA rated UK and Overseas government debt and AAA rated fixed interest stock issued by Supranational bodies. The Pension Fund stipulates those institutions that are allowed to borrow its stock and the type of collateral that is acceptable.

N14. Financial asset analysis

		2010/11 £'000	2011/12 £'000
Financial assets			
Fixed interest securities			
UK - Public Sector	- Quoted	63,730	60,993
- Other	- Quoted	92,557	104,817
Overseas - Public Sector	- Quoted	16,797	0
- Other	- Quoted	1,852	0
		174,936	165,810
Equities			
UK	- Quoted	297,391	251,991
Index-linked securities			
UK - Public Sector	- Quoted	74,390	77,780
- Other	- Quoted	1,965	49
		76,355	77,829
Pooled investment vehicles			
Unit Trusts			
Overseas - Equities - managed from inside the UK - Quoted		0	45,413
Unitised Insurance Policies			
UK - Equities	- Unquoted	6,926	6,287
Overseas - Equities - managed from outside the UK - Unquoted		0	281,953
Overseas - Equities - managed from within the UK - Unquoted		253,772	0
Other Managed Funds			
O.E.I.C.'s - Overseas - Fixed interest - managed from outside the UK			
- Quoted		1,419	731
- Overseas - Fixed interest - managed from within the UK			
- Quoted		0	55,049
- Overseas - Equities - managed from outside the UK - Unquoted		227,022	197,845
Limited Liability Partnerships			
Overseas - Fixed Interest - managed from outside the UK - Unquoted		18,913	7,416
		508,052	594,694
Property Unit Trusts			
UK - managed from within the UK - Quoted		63,325	64,737
- managed from outside the UK - Unquoted		0	5,652
Overseas - managed from outside the UK - Unquoted		0	4,685
		63,325	75,074
Derivative Contracts (note N17)			
Futures - UK		86	92
- Overseas		74	0
Forward foreign exchange contracts		576	1,095
		736	1,187
Other Investments			
Venture Capital/Private Equity - UK		3,526	4,254
Cash (Managers)			
Cash instruments	- UK	15,958	7,981
	- Overseas	753	2,743
Cash deposits	- UK	866	1,438
	- Overseas	469	33
		18,046	12,195
Other investment balances			
Debtors			
Outstanding settlement of investment transactions		1,844	3,800
Accrued dividend income and tax reclaims due on dividend income		4,887	4,642
		6,731	8,442
Total Financial Assets		1,149,098	1,191,476

	2010/11 £'000	2011/12 £'000
Financial Liabilities		
Derivative Contracts (note N17)		
Futures - Overseas	-42	0
Forward foreign exchange contracts	-1,455	-1,025
	-1,497	-1,025
Other investment balances		
Creditors		
Outstanding settlement of investment transactions	-3,740	-4,591
Total Financial Liabilities	-5,237	-5,616
Current Assets		
Contributions due from employer	3,514	4,512
Other current assets (debtors)	233	206
Cash balances	5,155	10,357
	8,902	15,075
Current Liabilities		
Unpaid benefits	-98	-13
Other liabilities (creditors)	-1,489	-1,333
	-1,587	-1,346
TOTAL	1,151,176	1,199,589

N15. Investment income

Investment income arises from the following investment categories:

	2010/11 £'000	2011/12 £'000
Fixed interest	8,788	8,541
Equities	7,940	11,025
Index-linked	2,821	2,714
Pooled investment vehicles	5,565	5,313
Interest on cash deposits	115	229
Private equity	49	0
Other income from stocklending and underwriting	91	57
	25,369	27,879
Withholding tax	22	-12
	25,391	27,867

N16. Separately invested additional voluntary contributions (AVC's)

Gloucestershire County Council LGPS holds assets with The Prudential Assurance Company Limited and Phoenix Life Limited. The AVC's are invested separately in funds managed by them. These are in the form of with-profits, unit-linked and deposit accounts and secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement confirming amounts held to their account and movements in the year. These amounts are not included in the Pension Fund Accounts in accordance with section 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093).

	Prudential		Phoenix Life		Total Investments	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Value of investments at 1 st April 2011	8,014	7,474	212	187	8,226	7,661
Prior year adjustments	7	-	-	-	7	-
Contributions received in year*	627	635	4	3	631	638
Death in service premiums paid by members	-10	-8	-	-	-10	-8
Sales of investments	-1,623	-1,017	-30	-35	-1,653	-1,052
Changes in value of investments	459	346	1	-1	460	345
Present value of investments	7,474	7,430	187	154	7,661	7,584

* Contributions paid by members in the Prudential scheme during 2011/12 totalled £634,952 (2010/11 £626,889) which included additional death in service premiums totalling £8,139 (2010/11 £9,612).

N17. Derivatives

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

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

In the table below, the 'notional value' of the stock purchases under futures contracts is the economic exposure and the value subject to market movements as at 31st March 2012.

Derivative Contract Analysis

	Contract type*	2010/11 Notional Value £'000	2011/12 Expiration Notional Value £'000	2010/11 Market Value £'000	2011/12 Market Value £'000
INVESTMENT ASSETS					
Futures					
Futures - UK - Fixed Interest					
UK Long Gilt Future	ET	-17,810	-25,994 Less than 3 months	86	92
UK Futures		-17,810	-25,994	86	92
Futures - Overseas - Fixed Interest					
Euro-Bund Future	ET	-2,470	- Less than 3 months	28	-
US Ultra Bond Future	ET	1,542	- Less than 3 months	46	-
Overseas Futures		-928	-	74	-
Total Futures		-18,738	-25,994	160	92
<u>Forward foreign exchange contracts</u>	OTC	34,879	86,200 Less than 6 months	576	1,095
Total Derivative Assets		16,141	60,206	736	1,187

INVESTMENT LIABILITIES

Futures					
Futures - Overseas - Fixed Interest					
US 10 Year Treasury Nts Future	ET	-12,995	- Less than 3 months	-42	-
Overseas Futures		-12,995	-	-42	-
Total Futures		-12,995	-	-42	-
<u>Forward foreign exchange contracts</u>	OTC	75,989	84,596 Less than 6 months	-1,455	-1,025
Total Derivative Liabilities		62,994	84,596	-1,497	-1,025

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

The total Futures' initial margin for 2011/12 was £0.7m (£0.5m 2010/11) and the total variation margin was £0.7m (£0.5m 2010/11). The initial margin is an amount of money deposited by both buyers and sellers of Futures contracts to ensure performance of the terms of the contract. The variation margin reflects the accumulated cash flows from the daily marking to market that accrues in the futures broker's account.

A breakdown of the open forward foreign exchange contracts at 31st March 2012 is given below:-

Open Forward Currency Contracts at 31st March 2012

Settlement	Currency bought	Local Value	Currency sold	Local Value	Asset Value	Liability Value
		000		000	£000	£000
Up to six months	GBP	16,241	USD	25,544	249	
Up to three months	GBP	10,101	USD	15,846	181	
Up to three months	GBP	8,983	USD	14,092	161	
Up to six months	GBP	12,130	USD	19,178	122	
Up to three months	GBP	5,569	USD	8,736	100	
Up to three months	GBP	5,329	USD	8,359	95	
Up to three months	GBP	3,163	USD	4,962	57	
Up to six months	GBP	11,468	USD	18,250	42	
Up to six months	GBP	1,934	USD	3,061	17	
Up to six months	GBP	2,046	EUR	2,435	15	
Up to six months	GBP	353	AUD	533	10	
Up to three months	GBP	510	USD	800	9	
Up to six months	EUR	1,240	GBP	1,026	8	
Up to six months	GBP	497	NZD	959	7	
Up to three months	GBP	1,965	EUR	2,348	6	
Up to six months	GBP	549	HKD	6,741	5	
Up to three months	GBP	1,037	EUR	1,240	3	
Up to six months	EUR	626	GBP	519	3	
Up to three months	GBP	573	EUR	685	2	
Up to three months	GBP	524	EUR	626	2	
Up to six months	GBP	1,686	EUR	2,020	1	
Up to six months	EUR	2,348	GBP	1,958	0	
Up to three months	EUR	216	GBP	181	0	
Up to three months	EUR	600	GBP	503	-2	
Up to three months	USD	3,845	GBP	2,412	-4	
Up to six months	GBP	1,403	EUR	1,687	-5	
Up to six months	USD	800	GBP	506	-6	
Up to three months	EUR	2,020	GBP	1,690	-6	
Up to six months	GBP	2,324	EUR	2,794	-6	
Up to three months	EUR	3,120	GBP	2,609	-7	
Up to three months	EUR	2,663	GBP	2,228	-7	
Up to six months	GBP	2,207	EUR	2,663	-14	
Up to three months	USD	1,400	GBP	894	-17	
Up to six months	USD	3,562	GBP	2,251	-20	
Up to six months	USD	4,000	GBP	2,527	-23	
Up to six months	USD	8,736	GBP	5,526	-56	
Up to six months	USD	11,846	GBP	7,475	-59	
Up to six months	USD	8,359	GBP	5,310	-76	
Up to three months	USD	9,002	GBP	5,739	-103	
Up to six months	USD	14,092	GBP	8,937	-114	
Up to three months	USD	18,250	GBP	11,634	-208	
Up to three months	USD	25,544	GBP	16,284	-292	
				1,095	-1,025	
Net forward currency contracts at 31st March 2012					70	
Prior year comparative						
Open forward currency contracts at 31st March 2011				576	-1,455	
Net forward currency contracts at 31st March 2011					-879	

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

At 31st March 2012 the Pension Fund held three, (2010/11, four) investments that each exceeded 5% of the total value of the net assets of the scheme. These are detailed as follows:

Investments exceeding 5% of Total Net Assets	2010/11		2011/12	
	£'000	%	£'000	%
* Blackrock Global Equity Fund	n/a	0.0	281,953	23.5
* GMO Developed World Equity Investment Fund	176,715	15.3	197,845	16.5
BlackRock Ascent Life US Equity Fund	94,012	8.2	**	**
BlackRock Ascent Life European Equity Fund	75,910	6.6	**	**
* Hermes Property Unit Trust	63,325	5.5	64,737	5.4
	409,962	35.6	544,535	45.4

BlackRock investments are Unitised Insurance Policies

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

Hermes Property Unit Trust is a Property Unit Trust

* Indicates assets which are in excess of 5% of both net assets and their asset class for 2011/12

** Now held in the Blackrock Global Equity Fund.

Investments exceeding 5% of their Asset Class

	2010/11		2011/12	
	£'000	%	£'000	%
Fixed interest securities				
Treasury 4.25% 2040	21,243	12.1	27,872	16.8
Treasury 4.25% 2039	25,191	14.4	16,248	9.8
Treasury 3.75% 2021	-	-	12,920	7.8
Treasury 4.25% 2032	9,135	5.2	-	-
Equities				
Royal Dutch Shell 'B' Shares	22,060	7.4	18,782	7.5
BP	16,127	5.4	13,761	5.5
HSBC Holdings	19,765	6.6	13,672	5.4
Vodafone Group	17,268	5.8	-	-
Index-linked securities				
United Kingdom IL 1.25% 2027	-	-	12,107	15.6
United Kingdom IL 1.125% 2037	12,592	7.2	8,623	11.1
United Kingdom IL 1.875% 2022	5,728	7.5	7,225	9.3
Treasury IL 2% 2035	9,624	12.6	7,214	9.3
United Kingdom IL 1.25% 2032	5,747	7.5	6,946	8.9
Treasury IL 4.125% 2030	20,548	26.9	6,840	8.8
Treasury IL 0.625% 2040	7,423	9.7	6,680	8.6
Treasury IL 1.25% 2055	6,543	8.6	6,473	8.3
United Kingdom IL 0.375% 2062	-	-	5,976	7.7
Treasury IL 0.625% 2042	-	-	4,410	5.7
Treasury IL 0.75% 2047	4,355	5.7	-	-
Pooled investment vehicles				
* Blackrock Global Equity Fund	-	-	281,953	47.4
* GMO Developed World Equity Investment Fund	176,715	34.8	197,845	33.3
Legg Mason Global Funds - WA GMS	-	-	55,049	9.3
Blackrock Emerging Markets Index Fund	-	-	45,413	7.6
BlackRock Ascent Life US Equity Fund	94,012	18.5	-	-
BlackRock Ascent Life European Equity Fund	75,910	14.9	-	-
RIC-OMIGSA Emerging Markets Equity Fund	50,270	9.9	-	-
BlackRock Ascent Life Japanese Equity Fund	47,248	9.3	-	-
BlackRock Aquila Life Pacific Rim Equity	27,803	5.5	-	-

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	2010/11 £'000	%	2011/12	
			£'000	%
Property unit trusts				
* Hermes Property Unit Trust	63,325	100.0	64,737	86.2
Global Alpha Fund	-	-	4,685	6.2
Derivatives				
UK Long Gilt Future (LIF) Exp Jun 12	-	-	92	57.1
Other investments - Venture Capital/Private Equity				
South West Venture Fund	2,507	71.1	2,507	58.9
Chandos Fund	1,019	28.9	1,747	41.1

N19. Changes to comparative figures

Custody costs, performance measurement, actuarial investment consultancy and investment consultancy fees have been moved from Administrative Expenses to Investment Management Expenses as a more appropriate category for this type of expenditure. Comparative figures for 2010/11 have been amended to reflect this adjustment.

	2010/11	2010/11 re-stated	Difference
Administrative expenses	1,377	1,167	-210
Investment management expenses	3,081	3,291	210
			-

N20. Potential overpayments to pensioners

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

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

N21. Contributions breakdown

	2010/11 £'000	2011/12 £'000
From Employers:		
Normal	38,149	32,573
Augmentation	39	96
Deficit Funding	19,272	26,102
Other	2,663	5,363
	60,123	64,134
From Members:		
Normal	16,839	15,861
Additional Voluntary	472	420
	17,311	16,281

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

Other contributions are those contributions paid by an employer to compensate the Pension Fund for early retirement costs, excess ill health retirement costs or to improve their funding levels. During 2011/12 lump sums totalling £0.8m were received from two employers to cancel out part of their liabilities and employers continued to restructure their staffing levels resulting in an increase on the previous year.

These payments follow the principles outlined in the Funding Strategy Statement. Early retirement costs are usually paid in one lump sum or were historically paid over several years dependent on the status of the employer. When a payment is spread there is an extra cost to reflect the delay in total payment.

There are currently no early retirement costs being spread; however at 31st March 2012 £0.8m (2010/11 £0.5m) was due to the Pension Fund for early retirements.

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

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.

N22. Custody of investments

The accounts for the year ended 31st March 2012 use the valuations for the Fund's assets provided by our custodian, BNY Mellon Asset Servicing SA/NV. This reflects the position of the custodian who is ultimately the master book of record. Fund Managers must make sure that their records agree with those kept by the custodian, although the investment values may be obtained from different sources. Using the custodian's valuations ensures that the various portfolios are priced consistently, so that the same stocks, in different portfolios, are valued on the same basis. Investments held in the name of BNY Mellon Asset Servicing SA/NV are segregated within its books and reflected as belonging to Gloucestershire County Council's Pension Fund.

N23. Administrative expenses

	2010/11 £'000	2011/12 £'000
Employee costs	607	593
Support services including IT	333	347
Printing and publications	8	7
Pension committee	1	2
External audit fees	32	36
Actuarial fees	186	172
	<hr/> 1,167	<hr/> 1,157

In 2010/11 Administrative Expenses were reported as £1,377,000. However custody costs, performance measurement, actuarial investment consultancy and investment consultancy fees have been moved from Administrative Expenses to Investment Management Expenses as a more appropriate category for this type of expenditure. Comparative figures for 2010/11 have been amended to reflect this adjustment, please see Note N19. The remaining expenditure has also been analysed over more detailed headings to that of last years.

Within actuarial fees there were costs of £153,032 (£89,395) generated by specific employer requirements, these were then charged back to the employer. The corresponding income is included within Recoveries for Services Provided in the Fund Account.

N24. Investment management expenses

	2010/11 £'000	2011/12 £'000
Management fees	3,081	3,066
Custody fees	90	74
Performance monitoring service	30	36
Actuarial fees - investment consultancy	70	17
Investment consultancy	20	20
	<hr/> 3,291	<hr/> 3,213

In 2010/11 Investment Management Expenses were reported as £3,081,000. However custody costs, performance measurement, actuarial investment consultancy and investment consultancy fees have been moved from Administrative Expenses to Investment Management Expenses as a more appropriate category for this type of expenditure. Comparative figures for 2010/11 have been amended to reflect this adjustment, please see Note N19.

N25. Cash

From the 1st April 2010 the Pension Fund has had its own bank account. At 31st March 2012 the cash balance was £10.4m (£5.2m 2010/11) made up of a temporary bank overdraft of £226k and £10.6m invested through the County Council's short-term investment procedures. During the year the average investment balance was £5.8m (£7.3m 2010/2011) earning interest of £56.1k (£52.6k 2010/2011).

N26. Contributions due from employers

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

	2010/11 £'000	2011/12 £'000
Employee Contributions	506	498
<u>Employer Contributions</u>	<u>3,008</u>	4,014
	3,514	4,512

N27. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation (See Note N6), the funds Actuary also undertakes a valuation of the pension fund liabilities on an IAS19 basis every year. These liabilities have been projected using a roll forward approximation from the last triennial valuation as at 31st March 2010.

Balance Sheet:

Year Ended	31 st March 2011 £m	31 st March 2012 £m
Present Value of Promised Retirement Benefits	1,652	1,824

Net Assets Available for Benefits

Year Ended	31 st March 2011 £m	31 st March 2012 £m
Net assets	1,151	1,200

The assumptions used are those adopted for the Administering Authorities IAS19 report, as required by the Code of Practice, and these differ from those used for the triennial valuation. It is estimated that the impact of the change of assumptions to 31 March 2012 is to increase the actuarial present value by £47m.

Significant Actuarial Assumptions Used

Financial:

Year Ended	31 st March 2011 % pa	31 st March 2012 % pa
Inflation/Pension Increase Rate	2.8	2.5
Salary Increase Rate	**4.6	*4.3
Discount Rate	5.5	4.8

* Salary increases are 1% p.a. nominal for three years to 31st March 2015 reverting to the long term rate thereafter.

** Salary increases are 1% p.a. nominal for period to 31st March 2012, reverting to the long term rate thereafter.

Longevity assumption:

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

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

Future pensioners are assumed to be aged 45 at the last formal valuation. This assumption has not changed since 31st March 2011.

Commutation assumption:

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

N28. Nature and extent of risks arising from Financial Instruments

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

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

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

The Fund's investments are held by BNY Mellon Asset Servicing, who 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 31st March 2012. The volatility data is broadly consistent with a one-standard deviation movement in the value of the assets. The analysis assumes that all other variables remain constant.

Movements in market prices would have increased or decreased the assets, as held by the Fund's custodian, at 31st March 2012 by the amounts shown below:

As at 31st March 2012	Value £'000	Volatility of return %	Value on Increase £'000	Value on Decrease £'000
UK Bonds	165,810	7.2	177,748	153,872
UK Index Linked Gilts	77,829	9.3	85,067	70,591
UK Equities	258,278	17.2	302,702	213,854
Overseas Bonds	63,196	22.6	77,478	48,913
Overseas Equities	525,211	15.4	606,093	444,329
UK Property	70,389	3.8	73,064	67,714
Overseas Property	4,685	2.1	4,784	4,586
Venture Capital/Private Equity	4,254	9.7	4,667	3,841
	1,169,652		1,331,603	1,007,700
Total Gloucestershire Fund	1,169,652	10.74	1,295,273	1,044,031

Prior year comparative data:

As at 31st March 2011	Value £'000	Volatility of return %	Value on Increase £'000	Value on Decrease £'000
Bonds	285,885	5.2	300,751	271,019
UK Equities	308,496	17.3	361,866	255,126
Overseas Equities	253,772	13.7	288,539	219,005
Global Equities	176,715	12.6	198,981	154,449
Emerging Markets	50,272	15.3	57,964	42,580
Property Unit Trust	64,397	2.5	66,007	62,787
Private Equity	4,025	21.0	4,870	3,180
Legacy Fund Manager Assets	102	39.0	142	62
	1,143,664		1,279,120	1,008,208
Total Gloucestershire Fund	1,143,664	9.7	1,254,599	1,032,729

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. This risk will affect the value of both fixed interest and index linked securities. The amount of income receivable from cash balances will also be affected by fluctuations in interest rates.

The Funds exposure to interest rate movements, as a result of the bond portfolio, as at the 31st March 2012 is set out on the following page along with the interest rate sensitivity analysis data.

Interest Rate Risk Sensitivity Analysis

The council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Over the last five years long term yields, as measured by the yield on the FTSE Over 15 Year Gilt Index, have averaged 4.2% and moved between a high of 4.9% and a low of 2.9%. As at the end of March 2012 this yield was 3.3%. Given the high degree of uncertainty at present due to the Eurozone crisis, the Fund's bond manager has advised that it is entirely possible that yields could fluctuate anywhere within this historic range in the next year, or in extreme circumstances outside these boundaries.

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

Asset type	Carrying amount as at	Change in the year in the net assets available to pay benefits	
	31 March 2012 £'000	+100BPS £'000	-100BPS £'000
Bond Portfolio - Fixed Interest Securities excluding cash	306,003	-34,285	34,285

Foreign Currency Risk

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

Currency Risk Sensitivity Analysis

Following analysis of historical data, by the Funds performance measurement service, the likely volatility associated with foreign exchange rate movements is considered to be 7.8% (as measured by one standard deviation).

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

A 7.8% 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:

Currency exposure - Asset type	Asset value as at 31 March	Change to net assets available to pay benefits	
	2012 £'000	£'000 +7.8%	£'000 -7.8%
Global Fixed Interest	4,173	4,498	3,848
UK Equities	658	709	607
Global Equities	456,318	491,911	420,725
Emerging Market Equities	45,594	49,150	42,038
	506,743	546,268	467,218

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 can not be claimed by creditors of the custodian. The Fund manages its risk by monitoring the credit quality and financial position of the custodian.

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

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

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

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

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

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

The credit risk within the bond portfolios can be analysed using standard industry credit ratings and the analysis as at 31st March 2012 is set out below.

Credit Analysis

31st March 2012	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000
UK Gilts	57,443	-	-	-	-	-	-
UK Index Linked	78,278	-	-	47	-	-	-
Overseas Govt Bonds	-	-	-	-	-	-	-
Corporate Bonds	1,180	7,702	25,066	87,023	5,526	-	795
Asset Backed	11,084	1,143	10,710	7,832	-	-	-
Emerging Markets	-	-	5,399	-	-	-	-
Mortgages	970	-	-	-	-	-	-
Supra/Sov/Local Govts	5,805	-	-	-	-	-	-
Cash/Cash Equivalents/Currency Forwards	4,019	-	-	-	-	-	9,412
	158,779	8,845	41,175	94,902	5,526	-	10,207
% of Fixed Interest Portfolio	49.7	2.8	12.9	29.7	1.7	-	3.2

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 2012 is shown below:

Account Name	Rating*	Balances as at 31	
		March 2011	March 2012
		2010/11	2011/12
Account Name	Rating*	£'000	£'000
RBS Liquidity Select Account	A/A1	5,000	23
Ignis liquidity Fund	AAAm	-	5,000
Prime Rate Liquidity Fund	AAAm	-	5,000
Goldman Sachs	AAAm	n/a	140
HSBC Money Market	AA- / A1+	n/a	420
HSBC Current Account	AA- / A1+	155	-226
Total		5,155	10,357

* Standard and Poors ratings are quoted as at 31st March 2012.

Liquidity Risk

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

All financial liabilities are due within one year.

Refinancing risk

Refinancing risk relates to the Fund being required to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Fair Value Hierarchy

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

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

The following sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy, as held by the Fund's custodian, at 31st March 2012

Type of Asset	Level 1 £'000	Level 2 £'000	Level 3 £'000
UK Equities	251,991	-	-
Global Equities (Pooled Investment)	-	-	197,845
Emerging Market Equities (Pooled Investment)	45,413	-	-
Fixed Interest	-	165,810	-
Index Linked Securities	-	77,829	-
Overseas Fixed Interest (Pooled Investment)	55,779	-	7,416
Unitised Insurance Policy (Pooled Investment)	6,288	-	281,953
Property	-	-	75,074
Private Equity	-	-	4,254
Cash & Cash Equivalents	1,798	8	8,917
Futures	93	-	-
TOTAL	361,362	243,647	575,459

Fire Pensions Accounts**Fund Account for the year ended 31st March 2012**

2009/10	2010/11				2011/12	
Total £'000	Total £'000			FPS £'000	NFPS £'000	Total £'000
Contributions Receivable						
From employer						
-1,737	-1,675	Normal		-1,411	-206	-1,617
-	-	Early retirements		-	-	-
-35	-25	Other: ill health retirement		-19	-9	-28
From members						
-948	-917	Normal		-729	-159	-888
-6	-6	Other: added years		-6	-	-6
Transfers in						
-24	-78	Individual transfers in from other schemes		-	-7	-7
-	-	Other		-	-	-
Benefits Payable						
3,635	3,805	Pensions		3,977	1	3,978
1,351	916	Commutations & lump sum retirement benefits		275	8	283
-	-	Lump sum death benefits		-	-	-
-	-	Other		-	-	-
Payments to and on account of leavers						
-	-	Refunds of contributions		-	-	-
-	4	Individual transfers out to other schemes		85	-	85
2,236	2,024	Net amount payable / receivable for the year before top-up grant receivable / amount payable to Central Government		2,172	-372	1,800
-2,236	-2,024	Top-up grant receivable / payable to Central Government		-2,172	372	-1,800
Net amount payable / receivable for year						
-	-			-	-	-

Fire Pensions Accounts

Net Assets Statement for the year ended 31st March 2012

2009/10	2010/11				2011/12
Total	Total				Total
£'000	£'000				£'000
Net current assets and liabilities					
-	-	Contributions due from employer		-	-
-1,164	-53	Pension top-up grant receivable from sponsoring department		-383	-383
-	-	Unpaid pension benefits		-	-
-	-	Amount due to sponsoring department		-	-
-	-	Other current assets and liabilities		-	-
1,164	53	Amount owing to general fund		383	383
-	-			-	-

NOTES

- a)** The Firefighters' pension fund is administered by the Council. It was established for authorities in England under the Firefighters' Pension Scheme (amendment) (England) Order 2006 and is split into two schemes 'Firefighter Pension Scheme (FPS) which is for wholifetime firefighters who were employed before 5th April 2006 and have not transferred to the new scheme and the 'New Firefighters Pension Scheme (NFPS) for all wholifetime firefighters who have joined since 6th April 2006, those that have transferred from the old scheme and all Retained Firefighters. It is an unfunded scheme which is "contracted out" of the state scheme and is termed a defined benefit (or final salary) scheme. The funding arrangements for this scheme changed on the 1st April 2006. The fund is financed by contributions paid in by existing firefighters and the Fire Service with any balance receivable from or payable to the Department of Communities and Local Government (DCLG), therefore there are no investment assets belonging to the Fund.
- b)** Employees and employers contribution levels are based on percentages of pensionable pay set nationally by the DCLG/WG and subject to triennial revaluation by the Government Actuary's Department.
- c)** Pension benefits are payable from the fund in accordance with the relevant statutory provisions and include ordinary and ill-health awards. Any ongoing Injury awards are not payable from the fund.
- d)** The fund has been prepared to meet the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2011/12". There are no administration charges included in the accounts and the fund's financial statements do not take into account any liabilities to pay pensions and other benefits after the period end.
- e)** The liability under IAS 19 is disclosed in Note 40 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.

Accrual

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

Actuary

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

Active Investment Management

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

Actuarial Gains and Losses

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

Admitted Body

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

Amortisation

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

Additional Voluntary Contributions (AVC's)

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

Benefits in Kind

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

Best Value Accounting Code of Practice (BVACOP)

The CIPFA Service Reporting Code of Practice (SeRCOP) replaced the Best Value Accounting Code of Practice (BVACOP) from 2011/12.

Capital Expenditure

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

Class of Tangible Fixed Assets

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

Operational assets

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

Non-operational assets

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

Code of Practise (CODE)

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

Community Assets

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

Consistency

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

Contingent Asset

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

Contingent Liability

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

Corporate and Democratic Core

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

Dedicated Schools Grant (DSG)

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

Deferred Charges

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

Deferred Retirement Benefit

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

Depreciation

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

Derivative

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

Disclosure

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

Discretionary Benefits

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

Estimation Techniques

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

Events After the Balance Sheet Date

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

Exceptional Items

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

Exchange Traded Funds (ETFs/ET's)

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

Extraordinary Items

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

Fair Value

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

Finance Lease

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

Funding Level

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

Futures Contracts

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

Going Concern

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

Government Grants

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

Guaranteed Minimum Pension (GMP)

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

IFRS

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

Inventories

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

Impairment

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

Infrastructure Assets

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

Investment Management Agreement

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

LAAP

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

Liquid Resources

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

Long-term Contracts

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

Managed Fund

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

Market Value

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

Membership

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

Net Book Value

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

Non-operational Assets

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

Open Ended Investment Company (OEIC)

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

Operating Leases

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

Operational Assets

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

Options

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

Over The Counter (OTC)

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

Past Service Cost

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

Pensionable Earnings

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

Pension Interest Cost and Expected Return on Pensions Assets

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

Pooled Investment Vehicle

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

Prior Period Adjustments

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

Projected Unit Method

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

Public Works Loans Board (PWLB)

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

Quoted Investments

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

Realised Gains/ (Losses)

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

Related Parties

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

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

Examples of related parties of the council include:

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

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

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

Related Party Transaction

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

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

Remuneration

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

Reserves

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

Residual Value

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

Retirement Benefits

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

Scheduled Bodies

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

Segregated Fund

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

Service Reporting Code of Practise (SeRCOP)

Councils have different structures for services or departments, which may have different responsibilities, making comparisons between them difficult. To help make comparisons CIPFA uses a Code of Practice which provides standard categories for both services (departments) and expense types. The CIPFA Service Reporting Code of Practice (SeRCOP) replaces the previous Best Value Accounting Code of Practice (BVACOP) from 2011/12. SeRCOP establishes proper practices with regard to consistent financial reporting for services. It is expected that CIPFA members will comply with all the mandatory requirements of SeRCOP as it defines best practice in terms of financial reporting. SeRCOP is reviewed annually to ensure that it develops in line with the needs of modern local Government, Transparency, Best Value and public services reform.

Soft Loans

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

Specialist Management

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

Tangible Fixed Assets - Property Plant & Equipment

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

Transfer Payment

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

Transfer Value

The amount of the transfer payment.

Trust Funds

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

Unitised Insurance Policy

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

Unit Trust

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

Unquoted Investments

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

Useful Life

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

Unrealised Profit

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

Usable capital receipts

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

Venture Capital

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

