
Strategic Finance

Statement of Accounts 2019-20



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Gloucestershire
COUNTY COUNCIL

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Foreword to Narrative Report

Gloucestershire County Council continues to face considerable challenges at the same time as real opportunities. The challenges take the form of rising demand for the services we provide to the most vulnerable children, adults and families at the same time as we face continued funding restrictions. The opportunities are about our relationships and the ways we can work together with local people and communities, with our partners and with Central Government to improve outcomes for local people and communities.

Under our strategy - Together We Can – Our Plan for Gloucestershire we have continued to deliver significant savings from the Council's budget, ensuring we remain financially resilient and freeing up resources to respond to changing patterns of need and demand. As central government funding has reduced, the Council has been willing to use Council Tax and the Adult Social Care Levy as part of the toolkit in achieving a sustainable budget, which at the same time protects the most vulnerable in our society.

Alongside this, we are working ever more closely with our partners across the public sector and beyond to shape the future of health and social care, grow the local economy, develop the skills we need and to make public services as effective and efficient as possible.

The Council Strategy, 2019–2022, 'Gloucestershire Looking to the Future' is designed to address future challenges and make the most of new opportunities. We want a shared vision with the people and communities of Gloucestershire that reflects what matters to them and sets high expectations for the future.

The Council continues to work hard with its partners to support the County during the Covid-19 pandemic.

From the beginning, the focus of the Council has been to protect life, maintain critical public and support services, safeguard vulnerable adults and children, support the health and wellbeing of employees and partner/contractor key workers, promote and support community and business resilience and provide clear and consistent public information.

The first confirmed case of Covid-19 was reported in Gloucestershire on 29th February 2020. On 23rd March 2020, the Prime Minister announced a UK-wide partial lockdown, requiring people to stay at home except for four reasons: shopping for basic necessities; for one form of exercise a day; for any medical need; and to travel to and from work only when absolutely necessary.

This announcement led to a number of changes to council services and functions, including the closure or 'stepping down' of some. As well as continuing with its response to the pandemic, thankfully, with the county consistently registering low number of Covid-19 cases, the Council has been able to get its recovery phase underway, which includes the reinstatement of services that had to stop or close as a result of lockdown restrictions.

The Councils' recovery is working to four stages, which are likely to overlap and, in some cases, run concurrently:

- Respond
- Restart
- Recover
- Reimagine

As part of the recovery phase, the Council will look to hold onto some of the advancements that have come about as a result of the pandemic, for example, where services have increased their digital delivery. There will also be key issues and opportunities that will need to be addressed over the long term recovery. As a result of Covid-19 and all the resulting additional responsibilities for the Council and greater demand for services more generally, we know there will continue to be financial challenges ahead that we must manage – we are fully aware of this, we have a strong financial track record, part of which is regular monitoring, so we are well placed to take swift action, when it is needed to manage any risk.

We are immensely proud of the work done by our staff; from supporting care homes, helping the vulnerable, to driving ambulances. Our public health team especially, has done a fantastic job of leading the County's response to Covid-19.

Even staff who haven't been directly involved, have done us proud, swiftly adapting to new ways of working to ensure core services could continue. We are also extremely grateful for the efforts and sacrifices made by so many of our partners and communities across the county - thank you for everything you have done and for everything you continue to do.



Cllr Mark Hawthorne
Leader



Peter Bungard
Chief Executive

Executive Director of Corporate Resources Narrative Report

Introduction

Welcome to Gloucestershire County Council's Statement of Accounts for 2019/20. The Statement of Accounts reports the income and expenditure on service provision for the financial year and the value of the Council's assets and liabilities at the end of the financial year. This is done in accordance with proper accounting practices, as defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and in accordance with the Accounts and Audit Regulations 2015.

For 2019/20 an extended statutory approval date of 30th November is in place, with a requirement for me to provide certification by 31st August, that the draft Statement of Accounts give a true and fair view of our financial position as at 31st March 2020.

Our 2019/20 audited Statement of Accounts needs to be submitted to the Council's Audit & Governance Committee (our appropriate body) for approval by 30th November 2020, following a thirty day public inspection period between 10th August 2020 and 21st September 2020.

In line with extended Government timescales following the Covid-19 pandemic, our 2019/20 Statement of Accounts, are prepared to adhere to the statutory deadlines, with the Statement of Accounts being available to our auditors, Grant Thornton, on 31st July 2020. Continuing to produce a quality set of accounts has only been possible due to the hard work and dedication of staff in Strategic Finance and across the whole Council.

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

This Narrative Report provides information about Gloucestershire, including the key issues affecting the Council and its accounts. It provides a summary of the financial position as at 31st March 2020 followed by an explanation of the financial statements, including information on significant transactions during 2019/20.

To comply with the Code, the information contained in the accounts is, by necessity, technical and very complex, hence the length of the accounts. The aim of this narrative report is not only to provide readers with a wider overview of the Council's financial position for the year ending 31st March 2020 but also to enable an understanding of the key issues. It does this by presenting an analysis of the budgeted and actual net expenditure for 2019/20 based on the management accounts, and then provides a summary of the key financial statements included within the statutory final accounts.

Our Context

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

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

However, there are areas of the County where residents' outcomes fall well below national averages and where, as a result, local people are more likely to depend on the services we provide in order to meet their needs. 20,000 people (3.4% of the county's population) live in areas amongst the most deprived 10% in England.

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

Gloucestershire is growing more slowly than England as a whole with a rise of approximately 40,900 people since 2005. The population is also changing. The number of older people is predicted to continue to rise sharply over the coming years, and the biggest increases will be seen in the number of over-85's. As this is the age group most likely to need support from the Council, this means that health and care services need to be ready to respond to greater numbers of people with higher levels of health needs.

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

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

Unemployment in Gloucestershire remains low compared to the rest of the UK and the South West Region, although it has recently increased as a result of the Covid crisis. As a result the claimant rate in Gloucestershire stood at 4.7% at the end of June 2020, compared to 2.1% in March 2020.

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

Council Strategy

The Council's vision, ambition and priorities for Gloucestershire are brought together in a Council Strategy – Gloucestershire: Looking to the Future (2019 – 2022).

Vision and Ambitions

The Council's vision is

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

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

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

The Council's Priorities for 2019 to 2022 are as follows:

Children's wellbeing and safeguarding

- Make Gloucestershire a child-friendly county
- Increase the resilience of children and families
- Intervene effectively to keep vulnerable children and young people safe
- Make sure children in care and care leavers get the best possible opportunities

Education and Skills

- Make sure children have access to good quality education
- Help children and young people with additional needs to learn and succeed
- Develop skills for the future

Health, Care and Prevention

- Design an adult social care system that helps people stay healthy and independent and supports people with long-term needs
- Promote better mental health for all
- Help people of all ages to stay healthy and well
- Join up health and care services

Communities and Localities

- Make sure no community is left behind
- Increase the resilience and safety of local communities

Transport, Economy and Infrastructure

- Secure the benefits of high quality growth for local people and communities
- Help business in Gloucestershire to thrive, grow and connect with the wider world
- Safeguard the county's natural landscape and environment

Highways

- Invest in improving the county's roads
- Improve customer service and satisfaction
- Reduce Gloucestershire's carbon emissions by 80% by 2030

Council leadership

- Get the most out of the shared public sector estate
- Transform services through digital innovation
- Develop a future focused workforce

Getting our Own House in Order

We want Gloucestershire County Council to continue to be a well run Council, that is transparent, accountable and focussed on what matters to local people, at the same time as keeping our running costs to a minimum.

During 2019/20, we have: -

- Delivered £14.49 million savings
- Continued to modernise the workforce to respond to changing needs and challenges
- Continued to make improvements through flexible working across the Council's workforce and provided opportunities to reduce the amount of office space needed. This increase in flexibility was demonstrated with the rapid rollout of CISCO products to assist homeworking when the COVID 19 pandemic hit the Country
- Continued to generate capital receipts and revenue savings through the sale of Council's property that is no longer required.

Ofsted Inspection of Services for Children

Ofsted undertook an Inspection of services for children in need of help and protection, children looked after and care leavers and reviewed the effectiveness of the Local Safeguarding Children Board between the 27th February and 23rd of March 2017. The overall outcome of the inspection was that children's services in Gloucestershire were inadequate.

Since the Inspection a new senior leadership team has been put in place within Children's Services and a permanent appointment was made to the post of Director of Children's Services with the post-holder starting in early March 2018. During the year we have continued to work closely with the Department for Education, Ofsted and our Improvement Partners to implement our Improvement Plan. In total to the end of March 2020 there have been 8 monitoring visits from Ofsted with the last visit being in February 2020.

These visits have identified that positive progress has been made in safeguarding services resulting in a more stable workforce, the launch of the social work academy which has provided training opportunities and professional support to staff, improved performance information, quality assurance processes and scrutiny of the data. Challenges still include the pace of change and embedding consistent practice across the service. A full inspection is anticipated in the autumn depending on the outcome of the current COVID 19 restrictions.

The Council continues to recognise the need to invest in the service to support sustained improvement and where demand for services are currently rising, with £10.3 million invested permanently in Children's Services in 2019/20 and an additional £11.2 million allocated in 2020/21. This investment has supported the reshaping of the social care workforce including the establishment of the social work academy and funded the cost pressures within placements and child related expenses budgets. Also a further £1.7 million one-off funding has been approved in the 2020/21 budget to fund improvement plan costs and maintain a higher staffing establishment to maintain the casework ratio commitments.

Funding for Adult Social Care

As in previous years, there continues to be widespread recognition that there is significant pressure on Adult Social Care budgets. In recognition of this pressure the Government introduced a succession of funding mechanisms. These funding mechanisms are a series of one-off or time limited funding. A long term funding solution has not been announced. The Green Paper on care and support for older people continues to be awaited.

Demographic changes indicate a rising demand for support to people with increasing complex needs that requires us to better manage and respond to demand. This continues to be managed through the Adult Single Programme and involves a range of partnerships, many of which are new relationships with communities. The scale and pace of change continues at an unprecedented level and the Adult Single Programme has been implemented and continues to support these changes. Communicating our intentions and listening to the voice of those we support is central to enabling us to effectively do this. At the heart of this work is culture change, based on a three tier conversation (Tier one – Help to help yourself, Tier Two – Help when you need it and Tier three – Ongoing support for those that need it) at the frontline to give structure with a focus on helping people to help themselves. Having trialed this in a number of locations during 2019/20 we intend it being standard practice throughout by 2020/2021, despite the impact of COVID-19.

Gloucestershire Fire and Rescue Service (GFRS)

As part of its improvement journey GFRS has established an Improvement Board consisting of senior directors, staff and cabinet members from GFRS and the County Council to oversee a comprehensive audit action plan. Good progress is being made and reported through the respective scrutiny and audit committee governance arrangements.

A restructure has recently been completed following extensive consultation and has resulted in securing additional staffing resources to support completion of audit and Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) improvement actions. This structure will be reviewed during the 2020/21 financial year.

Energy from Waste facility

Following independent certification, the Gloucestershire Energy from Waste facility was confirmed as fit for operations in October 2019. The Facility is now fully operational and is processing the county's household residual waste. The asset and long term obligation liability has been brought onto the Council's balance sheet and included in the financial statements for 2019/20.

The Gloucestershire Energy from Waste facility is designed to divert over 90% of Gloucestershire's household waste from landfill by using tried and tested technology whilst complementing the county's reduce, reuse and recycling activities. Aside from treating residual waste, which cannot readily be recycled or composted the facility will generate the equivalent electricity to power 25,000 homes and produces CO2 savings of around of 40,000 tonnes per annum compared to landfill.

People

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

Workforce Headcount

Gloucestershire County Council employed 3,989 individuals as at 31st March 2020, this includes 449 Gloucestershire Fire & Rescue service staff, but excludes all schools staff and casual staff. If a member of staff has two contracts with the Council, they are only counted once in the above figure.

We have developed a Workforce Strategy 2019-22 which recognises that the Council is a major stakeholder and influencer on behalf of the people of Gloucestershire and we play a leading role amongst a wide range of partners in delivering public services. We have an ambition to transform and strengthen community services and this strongly influences our view of what comprises 'the workforce'. It is our aim to innovate and adapt to achieve the delivery of our statutory responsibilities and to continually improve the quality of services delivered. Therefore we will develop our workforce to be motivated and skilled to work creatively, flexibly and efficiently, with our Council core values; accountability, integrity, empowerment, respect and excellence, at the centre of what we do.

Consideration of the Equality Duty and Decision Making

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

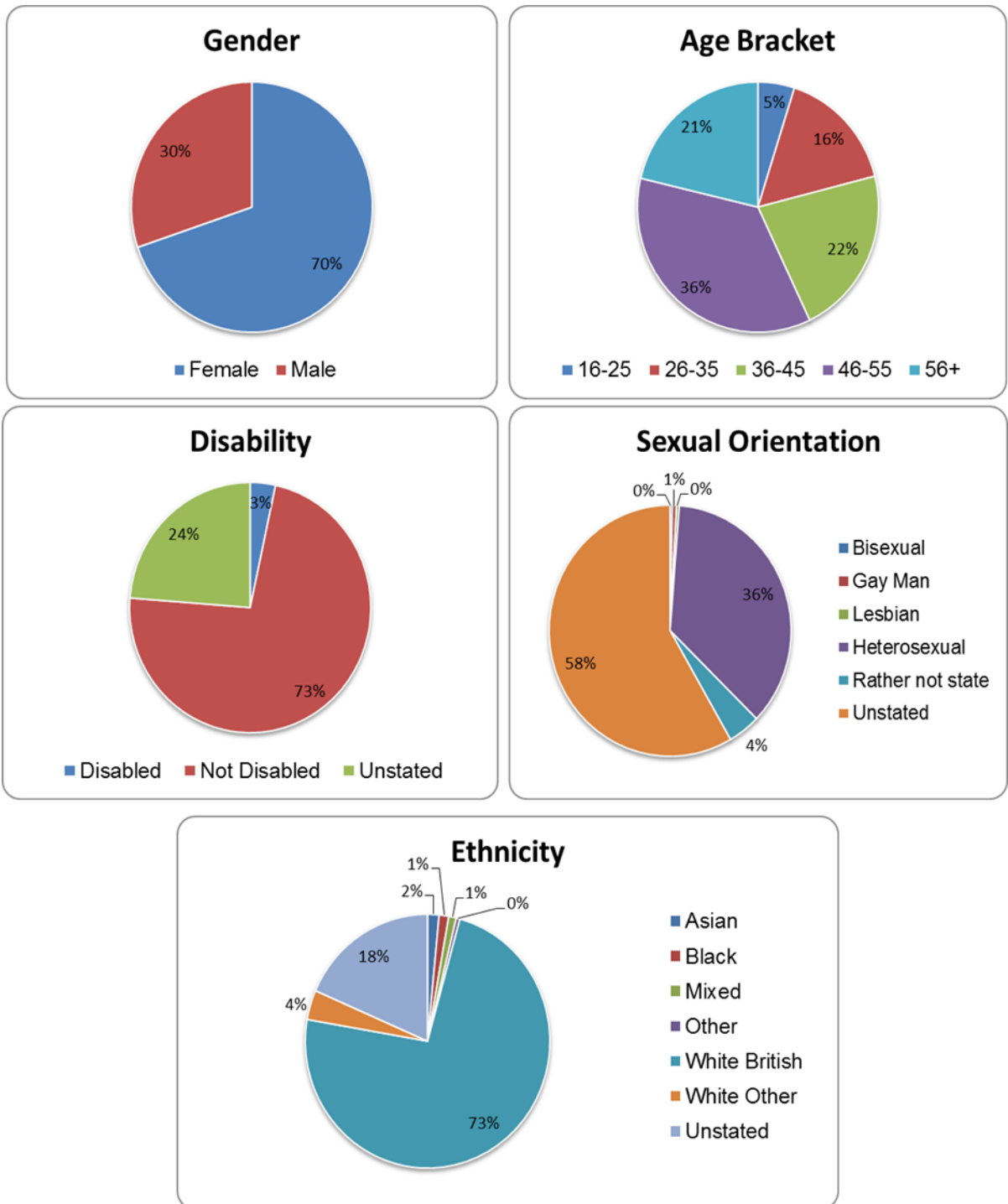
The general duty requires the Council to have due regard to the need to:

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

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

The Council's most recent annual Equalities Report (2019) is a snapshot based on the 3,735 employees as at 1st April 2019. In addition to those included in our headcount figures regularly published on the transparency pages of our website, this figure also includes employees from the Gloucestershire Fire and Rescue Service on a permanent or fixed term basis and those staff engaged on a casual basis where an ongoing employment relationship exists.

The Council's workforce profile (as at 1st April 2019) is illustrated in the following graphs, and is based on the data that is submitted by our workforce. We continue to encourage people to report openly so that our policies are as fully informed by staff feedback as they can be.



Further information from the Council's 2019 Workforce Equalities Report can be found on the Council's website at: <https://www.gloucestershire.gov.uk/council-and-democracy/equalities-and-our-duties-under-the-equality-act-2010/equality-information-and-analysis/>

PERFORMANCE

Adult Social Care

The Council's Adult Single Programme has continued to drive a significant shift in culture and approach across adult social care which focusses on helping people to find their own solutions to stay independent, offering some short-term support to get people back on their feet when they need it and staying by their side until they are confidently living an independent life. For those who need a plan for their long-term care and support, the council works with partners and providers to offer the highest quality of support that it can.

This approach has seen a continuing reduction in the number of people whose long term care needs are met by the council and in the number of people permanently admitted to residential and nursing care.

With teams focussing on this new approach, the proportion of service users who have received a review or reassessment within the past 12 months has fallen throughout the year, though a risk-based approach is taken to ensure that people continue to receive the support they need. This is reflected in good levels of satisfaction and quality of life for service users and carers, as evidenced by high and improved results in this year's service user survey.

The number of adult safeguarding concerns raised was higher than in the previous year, while the 'conversion' rate from concern to enquiry has dropped significantly throughout the year. We are responding by working closely with partners to help them understand and apply appropriate thresholds for referrals.

We continue to do well on helping people with enduring mental health problems or learning disabilities to remain living independently in their own homes or with a family member, remaining ahead of target throughout the year.

Prevention, Wellbeing and Communities

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

Our healthy lifestyles services have continued to achieve good results in helping people to stop smoking. However, although our results compare well to other similar areas, we haven't managed to achieve our targets for the number of people helped to lose weight and to achieve other lifestyle changes that reduce their risk of poor health. Our success rates for alcohol and drug treatment have improved throughout the year and compare well against national performance.

We have seen an increase in the rate of new STI diagnosis, having introduced a new online testing method in order to increase early detection and treatment, and so reduce transmission.

The Health Visitor service continues to have high uptake rates for both new birth visits and 12 month reviews for those families where a high need has been identified. Those visits that are not completed within timescale are followed up with families.

Children and Young People

The performance of children's services continued to improve throughout the year across a number of areas, though not always as consistently or quickly as we would have liked and services are not yet where we would want them to be.

Initial decision making in the Multi Agency Safeguarding Hub (MASH) is broadly timely both overall and for those children who are assessed as being at greatest risk. However, our immediate response to children at risk remains variable. Initial visiting and assessment timeliness have improved over the course of the year.

Visits to children in our care, care leavers and children subject to a Child Protection or CiN plan are timely for the majority of children. We are continuing to see high levels of repeat referrals and children returning onto a Child Protection Plan for a second or subsequent time, reflecting that there remains further work to be done to secure consistent good practice.

For children in our care, long-term placement stability is improving, but remains below where we want it to be.

We have seen significant improvements in reducing the number of pupils permanently excluded from school, reflecting the significant focus we have given to working alongside local schools and academies to tackle the issue.

We have continued to see good performance for the number of pupils attending schools that Ofsted has rated good or outstanding, though the new inspection regime has raised the bar, making maintaining this performance more challenging going forward.

Economy, Environment and Infrastructure

We have achieved major improvements in reducing the Council's carbon footprint through increasing the amount of energy generated from the Shire Hall estate, and reducing our energy use through initiatives such as use of pool cars for business travel and the tail end of the LED street lighting programme.

The Energy from Waste Facility fully transitioned from commissioning to operations at the end of October 2019 and has had a significantly positive impact on waste handling with almost all waste being diverted away from landfill for either recycling or recovery.

Timeliness of emergency and defect highways repairs was impacted by adverse weather including flooding and high winds throughout the year, though underlying performance has remained good and there are no concerns in relation to an ongoing impact on performance. We have continued to deliver our ambitious programme of investment in the highways network, and the National Highways & Transport Network annual public satisfaction survey shows overall resident satisfaction as being in line with our peer group of authorities.

There has been an increase in the number of people reported as being killed and seriously injured on Gloucestershire's roads, but further investigation is underway to understand whether this is driven by a change in recording methods, rather than more incidents.

Our library service has continued to modernise and transform for a digital age and this is reflected in a decreasing number of physical visits but a growing digital offer and increasing numbers of people borrowing e-stock. The Innovation Hub based in Coleford Library has proved popular and provides a successful model that we hope to roll out elsewhere.

Gloucestershire Fire and Rescue Service

An inspection of the Fire Service was carried out during the year. This identified some areas of concern relating to culture and specific areas of performance that have been the focus of a programme of improvement activity throughout the year. Additional corporate capacity has been brought into the service, as well as forging stronger links with support services based at Shire Hall.

The service has undertaken fewer Safe and Well visits than in the previous 12 months, but the overall number carried out remains high compared to other fire services, and the percentage of visits that are targeted at vulnerable groups is also high. The waiting time for a visit has also reduced significantly over the course of the year, and going forward, we will be continuing to make sure that visits are prioritised to those at greatest risk.

Timeliness of our response to category 1 dwelling fires has been above target since the first quarter of the year and all category 2 dwelling fires were attended within timescales.

FINANCIAL PERFORMANCE

Economic climate

Since 2011 the Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services and greater volatility in financing. However recent events have caused additional uncertainty and increased financial burden for the Council.

The Central Government's March 2020 Spring Budget was made against a backdrop of unique events, including the postponement of the Autumn Statement as a result of the snap General Election, the Chancellor changing in February 2020, the UK's exit from the European Union (31st January 2020) and the current ongoing Coronavirus situation.

The Spring Budget was also preceded by a Bank of England interest rate cut from 0.75% to 0.25%, announced as an emergency cut to protect the economy from any potential shock caused by the Coronavirus outbreak. This was swiftly brought down further to the record low of 0.1% on the 19th March 2020 together with an announcement of a further £200 billion of quantitative easing.

This all leads to much uncertainty for the future of local government financing and the strategic direction for public expenditure from 2021/22 is unclear.

The Spring Budget had outlined a number of significant changes to the local government funding regime which would have had a significant impact on the Council's finances over time. For example, clarity was provided on a number of national issues which impact on the way the Council is funded. This included confirmation that the Comprehensive Spending Review (CSR) would conclude in July 2020 and cover a three-year period up to 2023/24, the Fair Funding Review would commence from 2021/22 and the terms of reference for the proposed business rates review were provided.

However Covid 19 has swept all these decisions aside and it is becoming increasingly clear that many of the changes announced are now postponed.

The below list details 2019/20 principles, together with an update on the current situation for key financial decisions:

- Continuation of Council Tax referendum principle of 3% for 2019/20, with the Council setting a rate of 2.99%.
- Continuing to provide Local Authorities with the power to levy an increase on Council Tax to fund social care, to a maximum of 6% over the three years to 2019/20. Gloucestershire has continued to charge 2% per year, and this equates to an additional £5.4 million of revenue for 2019/20.
- Additional funding for Social Care including announced in SR 2019 a one off grant worth £14.0 million to the Council for 2020/21, which includes continuation of an existing allocation of £4.3 million from 2019/20.
- Improved Better Care Fund - SR19 announced that this grant will continue. It consists of several funding streams that were announced at different times, but have now been combined into one. This includes the original Improved Better Care Fund and additional money that was announced on a reducing balance basis from 2017/18. In addition, the one off Winter Pressures grant announced for 2019/20 has also become part of this grant. In total for 2020/21, the Council will receive £19.4 million – the same as in 2019/20.
- Central government has been working closely with local authorities to address the additional funding pressures as a result of Covid-19. The Council has therefore received a number of significant additional grants during 2020 to address this, some of which are passported on to other care providers such as Care Homes. Work is ongoing to assess the impact on the Council with regular communication of costs being made to MHLCG. It is likely that additional funding will be received as the full impact becomes clearer.
- Postponement of the Fair Funding Review that was due to be implemented from 2021/22.
- Postponement of the Government's "aim" to localise 75% of Business Rates.
- Expectations currently are that the settlement for 2021/22 will be a roll over of 2020/21.

Revenue Budget and Outturn Position

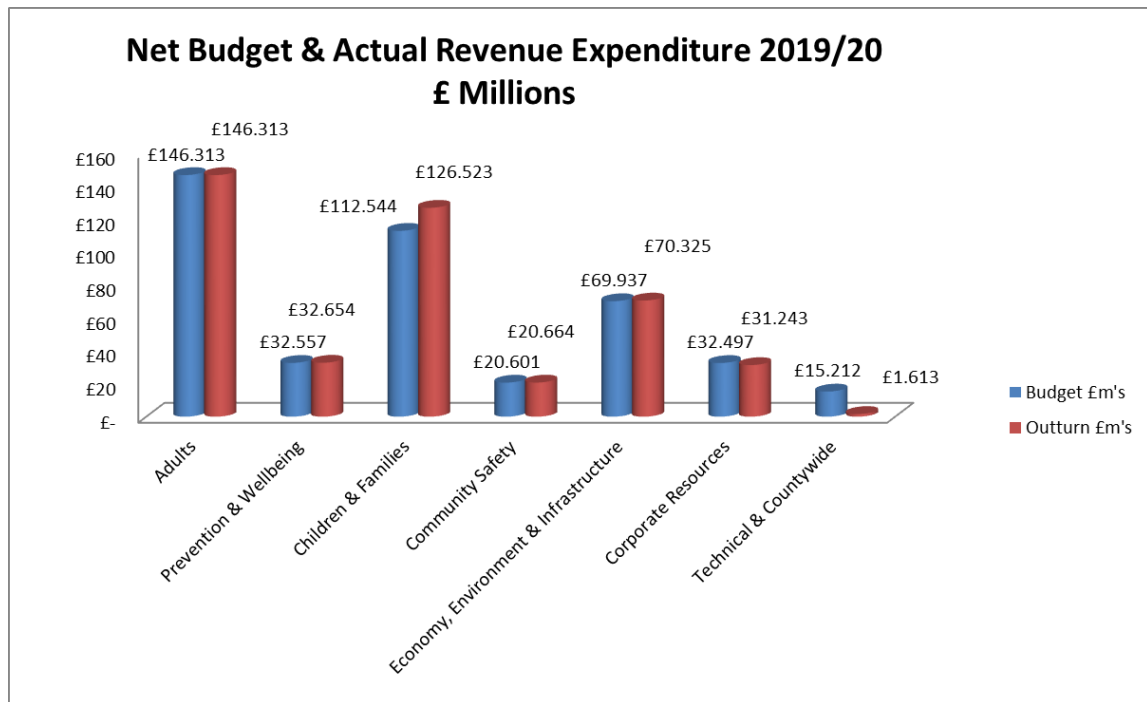
The approved budget for 2019/20 was £429.66 million which represented an increase in cash terms of £11.58 million, compared with the final 2018/19 budget which included an additional £4.60 million one off additional budget from the Business Rates Retention Pilot. Under this Budget, Council Tax increased by 2.99% and an additional 2% Social Care Precept was applied, taking the overall increase to 4.99%.

The 2019/20 budget was the second year of the current Meeting the Challenge 3 Savings Programme. During the year the Council delivered £14.92 million of savings to address year on year funding reductions and fund unavoidable inflationary cost increases.

The revenue budget strategy for 2019/20 was to continue to maximise the delivery of efficiencies whilst protecting front line services. The Council is committed to robustly controlling budgets, repaying external maturing debt and continuing to streamline back office services all of which contribute to protecting front line services whilst minimising compulsory redundancies.

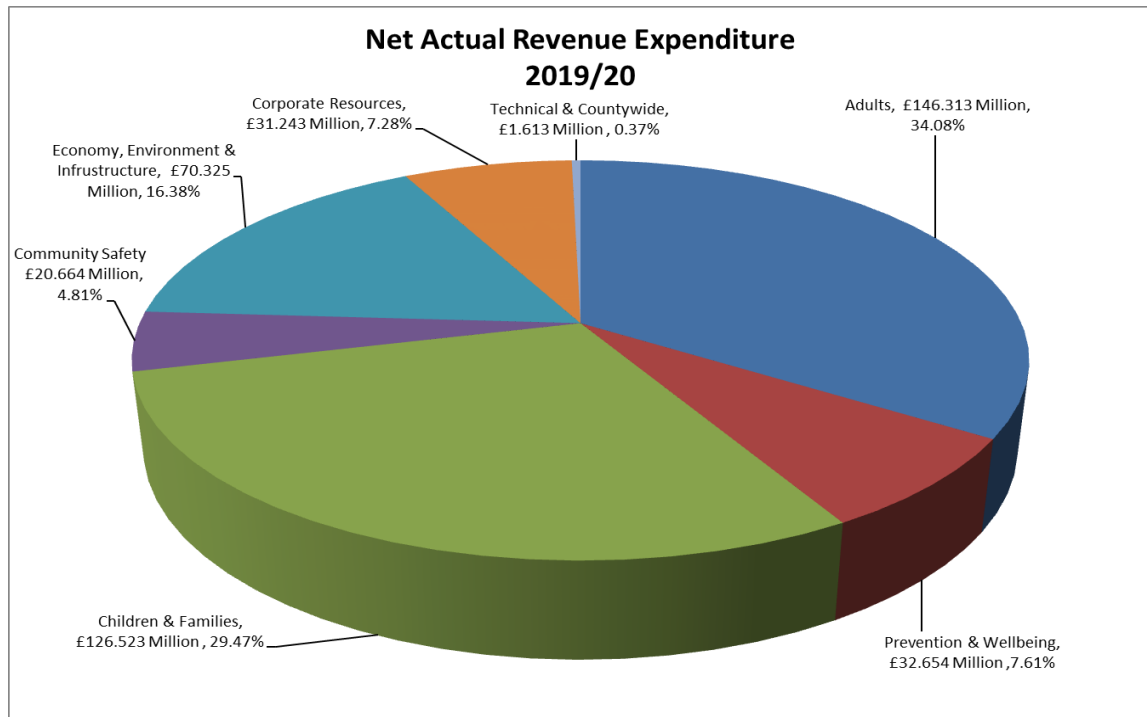
Following approved transfers to and from reserves, as set out in detail in Note 2 to the accounts (page 43), the 2019/20 outturn position was an under spend of £0.326 million.

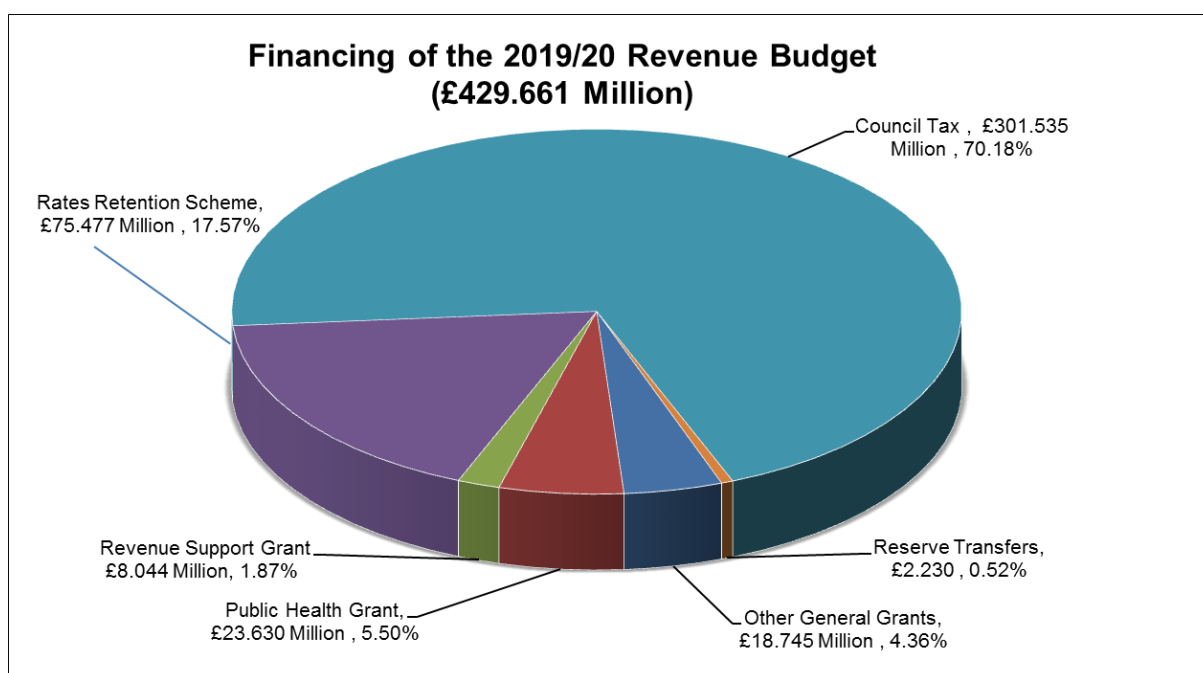
Net budget and expenditure by service area is shown in the chart below.



Full details and explanations of the outturn position can be found in the detailed outturn report submitted to Cabinet in June 2020, which is available on the Council's website.

The outturn position for 2019/20 again provides a clear indication of the Council's strong financial stewardship during the year. Net actual expenditure by service area is shown in the chart below, which is followed by a chart showing the funding of this net expenditure.





Usable Revenue Reserves

Usable reserves represent money set aside to fund future expenditure plans or reduce taxation. Full details of all usable reserve movements in 2019/20 are shown in note 2 on page 43 of the accounts, with the summary position outlined below:

Type of Revenue Reserves	Balance at 1 st April 2019 £ Millions	Balance at 31 st March 2020 £ Millions
Earmarked Revenue Reserves – Non Schools	135.014	101.807
Earmarked Reserves – Schools	18.263	8.625
General Fund Balances	18.520	18.846
TOTAL REVENUE RESERVES	171.797	129.278

Overall total usable revenue reserves decreased by £42.51 million during the year.

Non-School Earmarked Reserves

1. Non schools earmarked usable revenue reserves have decreased by £33.21 million (24.60%) from £135.01 million at the start of the year to £101.81 million at the end of the year. The decrease is largely represented by the planned reduction to the Strategic Waste Reserve (£37.0million) offset by an increase in revenue grant balances (£8.1 million).

Schools Earmarked Reserves

Total earmarked reserves relating to Schools decreased by £9.64 million during the year.

The main reasons for this decrease were:

- A net decrease of £5.90 million in the Dedicated Schools Grant Reserve, from a deficit of £0.82 million at the start of the year to an increased deficit position of £6.72 million at the end of the year, following continued pressures with high needs related payments. A recovery plan is currently being developed in association with the schools forum in order to address future spending pressures.
- School Balances have decreased by £3.74 million, of which £0.67 million is related to the balances of 4 schools converting to academy status.

General Reserves

1. Following the positive outturn position for 2019/20, General Reserves have increased by £0.32 million to £18.85 million. This reserve represents 4.39% of the net revenue budget for 2019/20, (4.03% of the 2020/21 Budget) which remains within the target range of between 4% and 6% of the net budget.

Capital Reserves

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

Type of Capital Reserves	Balance at 1 st April 2019 £ Millions	Balance at 31 st March 2020 £ Millions
Capital Grants & Contributions Unapplied Reserves	92.476	94.522
Useable Capital Receipts Reserve	29.894	20.544
TOTAL CAPITAL RESERVES	122.370	115.066

Capital reserves have decreased by £7.30 million (5.97%) during the year. The decrease is mainly due to the use of capital receipts to fund the Council's approved capital programme, offset by a small net increase of unapplied capital grants and contributions received in year which are all fully committed.

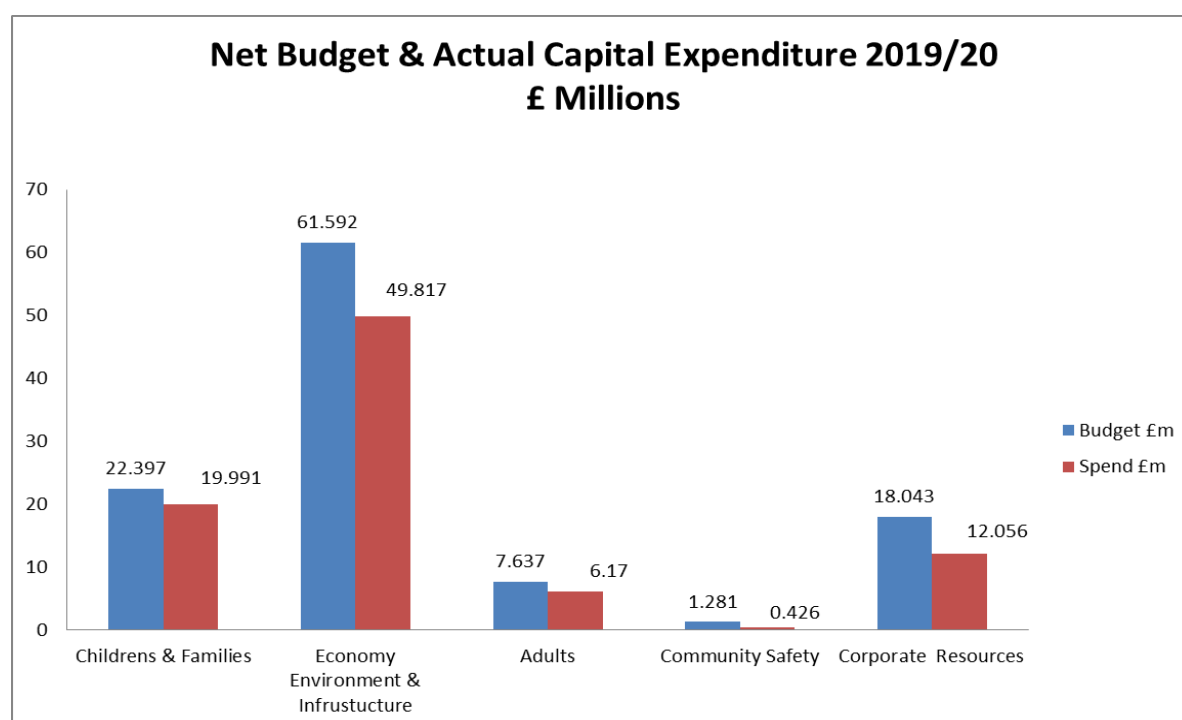
Full details and explanations of all reserve movements can be found in the detailed outturn report submitted to Cabinet in June 2020, which is available on the Council's website.

Capital Budget and Outturn Position

The capital budget strategy reflected the Council's priority of reducing long term debt by utilising capital receipts, external contributions, capital fund, capital grants and revenue contributions to fund the capital programme for 2019/20, thereby minimising the need for internal borrowing to £11.99 million.

The capital budget for 2019/20 totalled £110.95 million. Actual expenditure during the year was £88.46 million, giving an in-year under-spend of £22.49 million. This is purely in-year slippage which will be spent in 2020/21. This has not changed the overall value of the capital programme, although it has necessitated a re-profiling of the approved budget between future years.

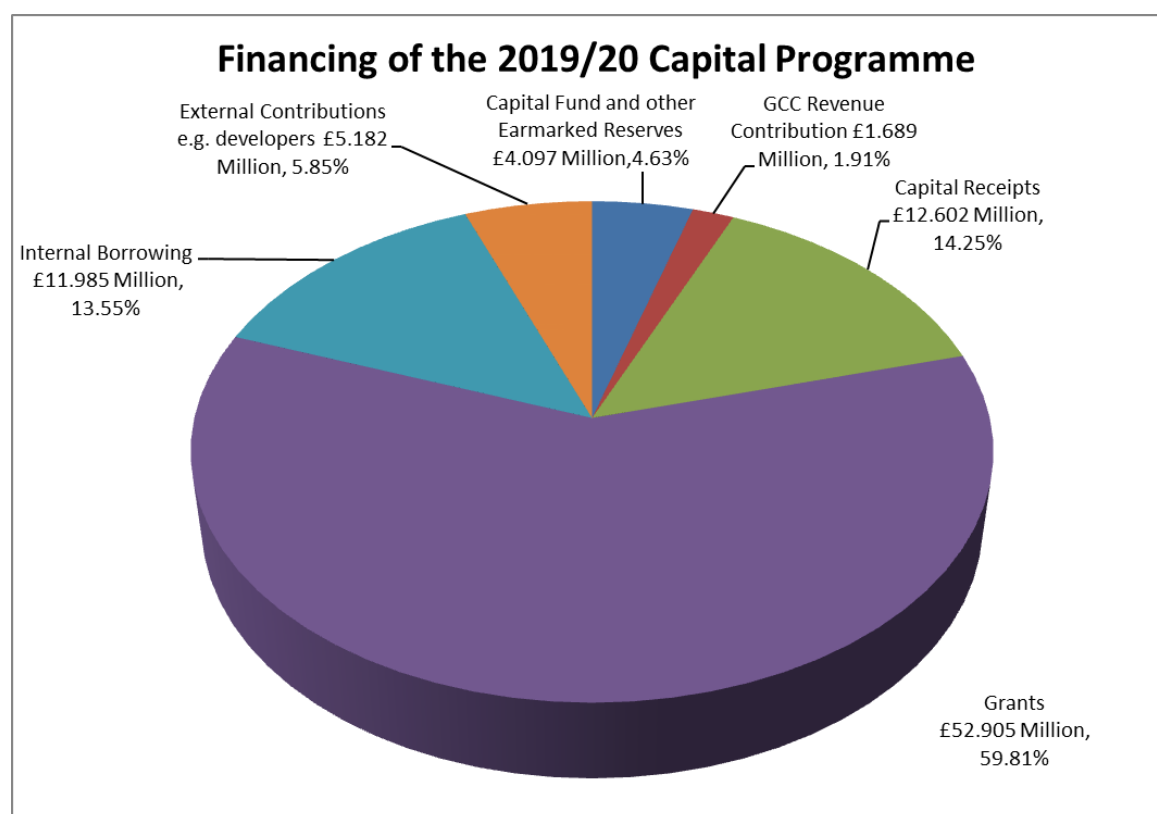
Net actual expenditure by service area is shown in the following chart:



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

Full details and explanations of the capital outturn position can be found in the detailed outturn report submitted to Cabinet in June 2020, which is available on the Council's website.

The Council's 2019/20 capital expenditure was funded as follows:



In addition to the above expenditure, following the Energy from Waste project becoming operational in 2019/20, the £38.00 million provision previously approved and set aside within the Strategic Waste Reserve has now been released.

The Government financial regulations require local authorities to charge a Minimum Revenue Provision (MRP) each year as a proxy for capital repayments. For 2019/20 the MRP for the Council was £7.70 million.

Managing debt effectively remains a priority of the Council. Debt outstanding at the end of 2019/20 was £389.84 million, an increase of £84.65 million compared with the position at the end of 2018/19. This is largely due to the additional liability in relation to the Energy for Waste 25 year contract, which became operational in October 2019.

Financial Statements

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

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

A complete set of Financial Statements for the period comprise:

- Comprehensive Income & Expenditure Statement on page 35.
- Movement in Reserves Statement on page 36 to 37.

- Balance Sheet position on page 38 setting out the Council's financial position as at 31st March 2020.
- Cash Flow Statement on page 39 summarising the inflows and outflows of cash.
- Notes to the accounts, which summarise and provide further information on the financial activities of the Council including Accounting Policies on pages 40 to 118.
- Gloucestershire Pension Fund Accounts are on pages 119 to 154, and although included in this publication, are separate from the accounts of the Council and are subject to a separate audit opinion.
- The accounts of the Fire Pension Fund on page 155.

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

Primary Financial Statements

The primary financial statements are:

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

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

Comprehensive Income & Expenditure Statement (CIES) - (page 35) shows the true economic accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The deficit on the provision of services for 2019/20 was £45.01 million, which is shown in the Movement in Reserves Statement, compared to a deficit of £0.07 million in 2018/19. The reason for this change is mainly due to increased depreciation and impairment charges on non current assets and financial instrument valuations, together with additional safeguarding and high needs expenditure.

The £45.01 million deficit on the provision of services for 2019/20 shown in the CIES represents the financial position in accordance with International Financial Reporting Standards (IFRS). However, the reported outturn budget position was an under spend of £0.326 million. This may be more relevant for the Council's stakeholders than the CIES, which takes a wider financial perspective on the Council's performance. The outturn position only records those expenses which statute allows to be charged against the Council's annual budget. The amounts included in the CIES for items such as depreciation, impairments, capital grants and pension charges are not charged in the General Fund expenditure analysis. The Movement in Reserves Statement, and supporting note 1, together with the expenditure and funding analysis, note 4, provides reconciliation between the two positions.

Movement in Reserves Statement - (page 36) shows the movement during the 2019/20 financial year on the different reserves held by the Council, analysed into useable reserves and other unusable reserves:

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

The overall increase in the Council's reserves during 2019/20 is £233.00 million, made up of a decrease of £49.82 million in useable reserves. An analysis of reserve balances and in year movements are set out within Note 2. Un-useable reserves increased by £282.82 million, mainly due to a decrease of £163.43 million in long term liabilities for defined benefit pension schemes, explained below, which is a liability that does not need to be met within the next year, but over the lifetime of scheme members. An unrealised gain in the valuation of long term assets of £76.98 million has also been achieved in year.

Balance Sheet - (page 38) shows the value of the assets and liabilities recognised by the Council as at 31st March 2020. The balance sheet of the Council shows net assets of £576.33 million, which is matched by reserves (as set out in the Movement in Reserves Statement). This represents an increase of £233.00 million from the 2018/19 position.

The increase of £233.00 million in net assets is largely due to:

- An increase in the value of Long Term Assets of £242.87 million, reflecting valuation changes during the year and the new Energy from Waste asset.
- A decrease of £158.43million in defined benefit pension liability, which is a liability that does not need to be met within the next year, but over the lifetime of scheme members.

Offset by:-

- An increase in short term borrowing of £20.72 million.
- An increase of long term borrowing of £70.64 million.
- An increase in deferred liabilities of £61.99 million.
- An increase in capital grants and contributions receipts in advance of £8.80 million.
- An increase in short term creditors held at the end of the year of £2.27 million.
- Other minor movements £3.88 million.

Cash Flow Statement – (Page 39) shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities:

- Operating activities - the amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation, grant income or from recipients of services provided by the Council. (Note 14, page 61)
- Investing activities - represent the extent to which cash outflows have been made for resources which are intended to contribute to the future service delivery (Note 15, page 62).
- Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council (Note 16, page 62). During the year the cash and cash equivalent increased from £59.5 million at the beginning of the year to £146.6 million at the end of the year. This increase of £87.1 million in cash balances is largely due to investing in short term deposits, as detailed in Note 9, page 55.

Principal Risks and Uncertainties

At the end of 2019/20, the Council is facing the following risks and challenges:

- Failure in corporate governance which leads to service, financial, fundamental service performance or reputational damage or failure.
- Reductions and changes to future funding over the next three financial years impacting significantly on Services.
- The cumulative impact of service pressures, particularly increased demand in Children and Adults social care and Educational High Needs, potential grant reductions and the under delivery of planned savings will result in a major over-spend position in 2020/21.
- Failure to ensure technology managed by ICT (including communications abilities) remains fit for purpose.
- Failure to protect the council's key information and data from Cyber Attack.
- Ineffective provider failures result in the Council being unable to achieve it's strategic objectives.
- Failure to maintain effective relationships with key partners and organisations and shared funding arrangements, impacting on our ability to meet statutory and local requirements.
- Failure to protect vulnerable adults in Gloucestershire from abuse and neglect in situations that potentially could have been predicted and prevented.
- Ineffective social care practice, management oversight and review processes resulting in drift and delay for children and young people in situations of harm.
- Failure to close the gaps in educational outcomes for vulnerable learners and their peers resulting in adverse impacts for children and families, increased cost/pressures on specialist provision and damage to reputation.
- Insufficient workforce capacity and/or instability adversely impacting on pace and sustainability of improvement and contributing to discontinuity in social engagement with children and families.
- Unable to support all those who can, to live independently at home, because demand for home care services outstrips available capacity. Resulting in the reliance on temporary respite/alternative bed based care in lieu of home care.
- Failure to develop sufficient placement capacity to meet the needs of looked after children.
- Risk of legal action being taken against the Council due to failure to complete a Deprivation of Liberty assessment within the stated timelines. Since a significant and sudden change in the law due to a Supreme Court Judgement in March 2014 there is an excessively high demand for best interest assessments to be carried out for Deprivation of Liberty (DoLS) authorisations.
- Difficulties in recruiting and retaining experienced workers in hard to fill roles leading to vacancies and/or high numbers of agency staff in some areas. This is particularly prevalent for social workers but is also increasingly a factor for other professional roles.
- Failure of the Council or a key partner to effectively respond to a major incident such as flooding that results in community disruption and failure to return to normal, within required timescales.
- Due to insufficient business continuity management arrangements, failure of the Council or a key partner to effectively deliver their statutory services, resulting in community disruption and failure of corporate objectives.

- Failure to protect the confidentiality, integrity and availability of information resulting in inefficient/ineffective service delivery by the Council and its partners, service interruption, harm to individuals, reputational damage, legal action or fines.
- Failure to deliver the Council's climate change Strategy impacting on reputational damage.
- Uncertainties arising from the UK leaving the EU with the possible impact on funding and policy change affecting the Council and Local Government in general.
- Emergence of Community Infrastructure Levy (CIL).
- The global Coronavirus crisis has highlighted various strategic and operational risks, in addition to the associated issues arising daily. The Council has, and continues to, actively work with all our partners and the Local Resilience Forum for Gloucestershire, whilst also considering and acting on Government advice. Emergency Response teams have been ensuring continuity of services (e.g. to vulnerable people and communities) along with a Recovery/Reinstatement group set up to take forward lessons learnt and co-ordinate the approach to the return to normality in the best way possible.

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

Pension Liabilities

The liability shown in connection with the defined benefit pension schemes is calculated in accordance with the requirements of International Accounting Standard (IAS) 19 and has decreased by £158.43 million (18.38%), from £862.07 million at the start of the year to £703.64 million at the year end. This is due to changed financial assumptions, primarily decreases to both the salary and pension increase rates of 0.6% compared with the previous year, together with the beneficial impact on updated data following the valuation undertaken for the Local Government Scheme at 31st March 2019. The above assumptions resulted in a reduction in liabilities by £191.23 million. This was however offset by an increase in liabilities by £32.8 million following a reduction in the discount rate used to calculate estimated present value of pension liabilities by 0.1 %, which is determined by the yield on corporate bonds. The lower the discount rate used, the higher the estimated present value of pension liabilities. Further information can be found in Note 32, page 83

Investment Activity & Borrowing

During 2019/20 treasury management has been conducted according to the Policy Statement approved by the Council in February 2019. In accordance with this strategy 145 investments were made during the year, at a value of £910 million. Total interest earned on in house deposits was £6.4 million.

As indicated earlier, the capital budget strategy avoids the need for new borrowing, with all capital expenditure being funded from capital grants, capital receipts and contributions. Debt redemption remains a priority of the Council with all maturing debt repaid. At 31st March 2020 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £389.8 million, an increase of £84.7 million compared with the position at the end of 2018/19. This increase is largely as a result of the Energy from Waste Contract coming onto the Council's balance sheet during the year with a liability of £80.4 million.

Covid 19

Restrictions related to the Covid-19 pandemic occurred from 20th March 2020, as a result it has not had any material impact on the financial outturn of the Council for 2019-20. It is clear however, that the ongoing impact from 2020/21 onwards will be significant.

Since the Government's restrictions were imposed we have immediately responded, committed additional resources to ensure that our vital council services continue to all our communities and especially to those most vulnerable. Our staff continue to work tirelessly with our external partners to ensure the needs of our community are being met in these unprecedented times, including realigning delivery models, providing additional accommodation for our rough sleepers, providing food, medical supplies and care support through our community hub programmes, providing essential protective equipment, and maintaining safe school provision for children of key workers where required.

Clearly these additional costs incurred together with substantial losses of budgeted income streams from street parking, registrations and other fees and charges, and a reduction in investment income, will have a significant impact on the Council's 2020/21 budget. The Council have already received additional emergency funding from the Government totalling £31.43 million, together with a further £3.70 million expected to support the provision of additional services and loss of income during this crisis. In addition to the above, the Council have received a number of ring-fenced grant allocations targeting specific service delivery including: Test and Trace (£2.22 million); Infection Control Grant (£7.75 million). However the full extent of the funding required continues to grow as a result of the considerable demand pressures being experienced. It is therefore likely that total additional costs will be considerably more than the grant allocations received to date. Whilst the situation continues to be monitored and pressure being levied on the Government for the provision of additional funding, it is clear that the Council's reserves may be required to balance any budget shortfall faced during 2020/21.

Moving forward the Council will continue to realign its ongoing Medium Term Financial Strategy and future spending plans, however given the considerable uncertainties currently faced, the true size of the financial challenge facing the Council continues to evolve and is difficult to quantify fully. The Council will continue to work to address these ongoing challenges.

The Future

We are:

- Aware that both the Fair Funding Review and move to 75% Business Rates Retention have been postponed. Further details are not expected until the Autumn Budget.
- Aware that the proposed business rates reset has been confirmed as cancelled due to the Covid-19 pandemic. No further details have been provided as to when this will now take place and a further update is unlikely until the Autumn Budget.
- As a partner in the Integrated Care System, the Council intends to work collaboratively to ensure the Gloucestershire Pound is spent efficiently and effectively on health and social care services for our community.
- Waiting for details of whether the proposed 3 year Comprehensive Spending Review will go ahead or whether it will merely be another roll over of funding for the 2021/22 financial year as a result of the Covid 19 situation.
- Waiting for completion of the legal challenge against the Energy from Waste project, enabling Grant Thornton to conclude their investigation into the value for money objection to the 2016/17 accounts, to which the Council will respond.

Conclusion

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

Additional Information

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



Steve Mawson
Executive Director of Corporate Resources & Section 151 Officer

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 Executive Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Executive Director of Corporate Resources Responsibilities

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

In preparing this Statement of Accounts, the Executive Director of Corporate Resources has:

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

The Executive Director of Corporate Resources has also:

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

Certification

I certify that the Statement of Accounts 2019/20 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 2020.

Signed by Steve Mawson CPFA, Executive Director of Corporate Resources
(Section 151 officer)
30th October 2020

The Audit & Governance Committee of the County Council approved the Statement of Accounts on 30th October 2020.

Signed by Councillor Nigel Robbins, Chairperson
30th October 2020

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gloucestershire County Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including the statement of accounting policies, and include the Fire Pensions Accounts comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Executive Director of Corporate Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Corporate Resources use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Corporate Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Executive Director of Corporate Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and pooled property investments

We draw attention to 'the assumptions made about the future and other major sources of estimation uncertainty of the financial statements' Note 43 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's pooled property investments as at 31 March 2020. As, disclosed in this note to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's pooled property valuation reports. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

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

As explained more fully in the Statement of Responsibilities set out on page 26, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Corporate Resources. The Executive Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2020 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work to give our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We are unable to issue our conclusion until we have completed our consideration of matters that have been brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that these matters do not have a material effect on the financial statements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2020.

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2020. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

Peter Barber

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

Bristol

18 November 2020

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

Opinion

We have audited the financial statements of Gloucestershire Pension Fund (the 'pension fund') administered by Gloucestershire County Council (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Executive Director of Corporate Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Corporate Resources use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Executive Director of Corporate Resources has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

In our evaluation of the Executive Director of Corporate Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of pooled property investments

We draw attention to Note N2 of the Gloucestershire Pension Fund financial statements and the assumptions made about the future and other major sources of estimation uncertainty which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's pooled property investments as at 31 March 2020. As, disclosed in this note to the financial statements, the valuation of a number of the pooled property funds include a material valuation uncertainty clause given the unknown impact of Covid-19 might have on the real estate market. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

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

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

Matters on which we are required to report by exception

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

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

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

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

As explained more fully in the Statement of Responsibilities set out on page 26, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Corporate Resources. The Executive Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Peter Barber

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

18 November 2020

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 31st March 2019*

Balance at 31st March 2020

Expenditure £'000	Income £'000	Net £'000		Expenditure £'000	Income £'000	Net £'000
			Gross Expenditure, Gross Income and Net Expenditure of Continuing Operations			
244,054	-100,703	143,351	Adults	258,008	-100,361	157,647
35,675	-24,711	10,964	Prevention & Wellbeing	35,685	-1,667	34,018
446,080	-308,045	138,035	Children & Families	459,020	-313,627	145,393
110,669	-18,253	92,416	Economy, Environment & Infrastructure	120,630	-22,982	97,648
33,389	-6,036	27,353	Community Safety	28,407	-7,914	20,493
48,332	-8,776	39,556	Corporate Resources	43,641	-9,411	34,230
14,753	-25	14,728	Technical & Countywide	14,610	-471	14,139
932,952	-466,549	466,403	Cost Of Services	960,001	-456,433	503,568
313	-	313	Levies Payable	321	-	321
2,760	-	2,760	Gain(-)/Loss on Disposal of Non Current Assets (Note 39)	18,242	-	18,242
3,073	-	3,073	Other Operating Expenditure	18,563	-	18,563
16,237	-	16,237	Interest Payable on Debt	22,227	-	22,227
19,925	-	19,925	Net interest on the Net Defined Benefit Liability (Asset)	21,055	-	21,055
870	-	870	Gain (-) or Loss on Pooled Investment Revaluation	8,358	-	8,358
	-5,952	-5,952	Investment Interest income		-6,343	-6,343
37,032	-5,952	31,080	Financing and Investment Income and Expenditure	51,640	-6,343	45,297
-	-105,595	-105,595	Recognised Capital Grants and Contributions	-	-60,133	-60,133
-	-281,200	-281,200	Council Tax	-	-299,174	-299,174
-	-86,674	-86,674	National Non Domestic Rates	-	-88,965	-88,965
-	-22,518	-22,518	Non Service Related Government Grants	-	-70,023	-70,023
-	-4,500	-4,500	Fire Pensions Top Up Grant	-	-4,127	-4,127
-	-500,487	-500,487	Taxation and Non-Specific Grant Income	-	-522,422	-522,422
973,057	-972,988	69	Surplus (-) or Deficit on Provision of Services	1,030,204	-985,198	45,006
10,461	-35,919	-25,458	Revaluation Gains (-)/Losses (Note 13)	14,273	-91,258	-76,985
-	331	331	Surplus or Deficit on Revaluation of Available for Sale Financial Assets (Note 13)	-	-	-
92,379	-	92,379	Remeasurement of the Net Defined Benefit Liability (Asset)	-	-201,017	-201,017
102,840	-35,588	67,252	Other Comprehensive Income and Expenditure	14,273	-292,275	-278,002
1,075,897	-1,008,576	67,321	Total Comprehensive Income and Expenditure	1,044,477	-1,277,473	-232,996

* 2018/19 Statements restated to reflect changes to the Council's mangement operating structure. (See Note 40).

Movement in Reserves Statement

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

Movement in Reserves 2018/19	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31st March 2018 carried forward	18,520	139,837	158,357	32,206	50,871	241,434	169,217	410,651
<u>Movement in reserves during 2018/19</u>								
Restated Surplus or Deficit (-) on Provision of Services	-69	-	-69	-	-	-69	-	-69
Other Comprehensive Expenditure and Income							-67,252	-67,252
Total Comprehensive Expenditure and Income	-69	-	-69	-	-	-69	-67,252	-67,321
Adjustments between accounting basis & funding basis under regulations (Note 1)	13,509	-	13,509	-2,312	41,605	52,802	-52,802	-
Net Increase/Decrease before Transfers to Earmarked Reserves	13,440	-	13,440	-2,312	41,605	52,733	-120,054	-67,321
Transfers to/from Earmarked Reserves	-13,440	13,440	-	-	-	-	-	-
Increase/Decrease in 2018/19	-	13,440	13,440	-2,312	41,605	52,733	-120,054	-67,321
Balance at 31st March 2019	18,520	153,277	171,797	29,894	92,476	294,167	49,163	343,330

Movement in Reserves 2019/20	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31st March 2019 carried forward	18,520	153,277	171,797	29,894	92,476	294,167	49,163	343,330
<u>Movement in reserves during 2019/20</u>								
Surplus or Deficit (-) on Provision of Services	-45,006		-45,006			-45,006		-45,006
Other Comprehensive Expenditure and Income							278,002	278,002
Total Comprehensive Expenditure and Income	-45,006	-	-45,006	-	-	-45,006	278,002	232,996
Adjustments between accounting basis & funding basis under regulations (Note 1)	2,487		2,487	-9,350	2,046	-4,817	4,817	-
Net Increase/Decrease before Transfers to Earmarked Reserves	-42,519	-	-42,519	-9,350	2,046	-49,823	282,819	232,996
Transfers to/from Earmarked Reserves	42,845	-42,845				-		-
Increase/Decrease in 2019/20	326	-42,845	-42,519	-9,350	2,046	-49,823	282,819	232,996
Balance at 31st March 2020	18,846	110,432	129,278	20,544	94,522	244,344	331,982	576,326

Balance Sheet

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

As at 31 st March 2019 £'000		Notes	As at 31 st March 2020 £'000
1,241,032	Property Plant and Equipment	3	1,506,336
151	Intangible Assets		-
88,306	Long Term Investments	5	66,059
100	Long Term Debtors	5	63
1,329,589	Long Term Assets		1,572,458
176,082	Short Term Investments	5	113,727
1,397	Assets Held for Sale	10	1,029
2,165	Inventories	6	2,230
81,620	Short Term Debtors	8	54,010
59,496	Cash and Cash Equivalents	9 & 17	146,593
320,760	Current Assets		317,589
-44,294	Short Term Borrowing	5	-65,017
-96,281	Short Term Creditors & Revenue Receipts in Advance	12	-98,557
-1,882	Short Term Provisions	11	-1,887
-32,389	Capital Grants and Contributions Receipts in Advance	24	-41,190
-8,353	Provision for Accumulated Absences	11	-8,065
-183,199	Current Liabilities		-214,716
-2,310	Deferred Liability	37	-64,300
-4,141	Long Term Provisions	11	-5,127
-255,295	Long Term Borrowing	5	-325,937
-862,074	Liability Related to Defined Benefit Pension Scheme	32	-703,641
-1,123,820	Long Term Liabilities		-1,099,005
343,330	Net Assets		576,326
294,167	Usable Reserves	2	244,344
49,163	Unusable Reserves	13,32,38	331,982
343,330	Total Reserves		576,326

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.

2018/19		2019/20
£'000		£'000
69	Net Surplus (-) or Deficit on the Provision of Services	46,306
-119,511	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements (note 14)	-149,516
113,739	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities (note 14)	63,039
-5,703	Net Cash Flows from Operating Activities	-40,171
46,271	Investing Activities (Note 15)	-36,013
8,434	Financing Activities (Note 16)	-10,913
49,002	Net Increase or Decrease in Cash and Cash Equivalents	-87,097
-108,498	Cash and Cash Equivalents at the beginning of the reporting period	-59,496
-59,496	Cash and Cash Equivalents at the end of the reporting period (Note 9)	-146,593

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1. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2018/19

	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Un-applied Reserve £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Depreciation and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets	-46,516			46,516
Lifecycle Costs- PFI	14			-14
Revenue expenditure funded from capital under statute	-17,260			17,260
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-11,184			11,184
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of Capital Investment	6,888			-6,888
Capital expenditure charged against the General Fund Balance	7,509			-7,509
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,423	-8,423		
Use of the Capital Receipts Reserve to finance new capital expenditure		11,735		-11,735
Transfer from Deferred capital receipts reserve following receipt of cash		-1,000		1,000
Adjustments primarily involving the Capital Grants Unapplied Reserve:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	105,595		-105,595	
Application of grants and contributions to capital financing transferred to capital adjustment account			63,990	-63,990
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	280			-280
Gain/loss on the revaluation of Financial instruments	-869			869
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-54,946			54,946
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	-12,563			12,563
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,120			-1,120
Total Adjustments	-13,509	2,312	-41,605	52,802

2019/20

	Usable reserves		Capital Grants	Movement in
	General	Capital	Un-applied	Unusable
	Fund	Receipts	Reserve	Reserves
	Balance	Reserve	Reserve	Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Depreciation and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets	-48,434			48,434
Lifecycle Costs- PFI/PPP Schemes	260			-260
Write Back of Deferred Income Liabilities	1,086			-1,086
Movement in the Donated Assets Account				
Revenue expenditure funded from capital under statute	-12,598			12,598
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-21,457			21,457
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of Capital Investment	7,698			-7,698
Capital expenditure charged against the General Fund Balance	43,786			-43,786
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	3,215	-3,215		
Use of the Capital Receipts Reserve to finance new capital expenditure		12,602		-12,602
Transfer from Deferred capital receipts reserve following receipt of cash		-37		37
Adjustments primarily involving the Capital Grants Unapplied Reserve:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	60,133		-60,133	
Application of grants and contributions to capital financing transferred to capital adjustment account			58,087	-58,087
Adjustment primarily involving the Financial Revaluation Reserve:				
Gain/loss on the revaluation of Financial instruments	-8,358			8,358
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	309			-309
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-37,584			37,584
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	9,169			-9,169
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	288			-288
Total Adjustments	-2,487	9,350	-2,046	-4,817

2. Usable Reserves

This note sets out the amounts set aside from the General Fund Balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

Earmarked Revenue Reserves	Balance at 31st March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31st March 2020 £'000
Strategic Waste Reserve	40,858	-38,482	1,433	3,809
Fire Joint Training Centre	1,082	-42	-	1,040
Fire PFI Reserve - GRFS	3,540	-	171	3,711
Insurance Fund	13,248	-2,298	2,616	13,566
Capital Fund	15,740	-3,213	3,249	15,776
Transformation Reserve	5,612	-1,596	538	4,554
County Elections	515	-15	200	700
Fire Service Pensions	127	-127	-	-
Active Communities	352	-352	-	-
Invest to Save	2,278	-212	399	2,465
Education Funding Risk Reserve	500	-284	-	216
Economic Stimulus Reserve	4,461	-640	123	3,944
Public Health	875	-875	32	32
Vulnerable Children Reserve	386	-386	151	151
Adult Care Reserve	5,419	-	11	5,430
Growing our Communities Reserve	1,212	-414	-	798
People Services Reserve	-	-277	558	281
Home to School Transport Reserve	164	-136	-	28
A417 Missing Link Reserve	2,926	-135	-	2,791
Rates Retention Reserve	9,631	-2,884	1,707	8,454
Revenue Grant Reserves	20,702	-18,240	26,305	28,767
Economy, Environment & Infrastructure Reserve	1,084	-646	393	831
Traded & Shared Audit Services Reserve	410	-150	167	427
LED Renewables Reserve	463	-	212	675
Minimum Wage Reserve	1,000	-	-	1,000
Other Reserves	338	-35	-	303
Highways Act Commuted Sums Reserves	2,091	-159	126	2,058
Total Non School Earmarked Reserves	135,014	-71,598	38,391	101,807
Schools Related				
School Balances	19,062	-19,062	15,248	15,248
Other Schools Related	18	-18	93	93
Dedicated Schools Grant Reserve	-817	817	-6,716	-6,716
Total School Related	18,263	-18,263	8,625	8,625
Total Earmarked Revenue Reserves	153,277	-89,861	47,016	110,432
General Fund Balances	18,520	-	326	18,846
Total Revenue Reserves	171,797	-89,861	47,342	129,278
Earmarked Capital Reserves	Balance at 31st March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31st March 2020 £'000
Capital Grants & Contributions Unapplied Reserve	92,476	-57,148	59,194	94,522
Useable Capital Receipts Reserve	29,894	-12,671	3,321	20,544
Total Capital Reserves	122,370	-69,819	62,515	115,066
Total Useable Reserves	294,167	-159,680	109,857	244,344

Reserve Description

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

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

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

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

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

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

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

Fire Service Pensions - The reserve was set up to support any potential liabilities under the Fire Service pension schemes. As approved by Cabinet the reserve was fully utilised in 2019-20 to support the costs associated with increased employer contribution rates applicable under the Fire Pension Scheme.

Active Communities - This reserve has been established to meet the Council's strategy to provide support for people to do more for themselves, their families and communities without the Council having to intervene.

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

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

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

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

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

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

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

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

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

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

Rates Retention - This reserve was established to cover the Council against a potential funding shortfall in business rate income, given the volatility of the scheme and the potential impact of business rate appeals on income. The reserve also holds £4.452 million ring fenced for economic development projects within the County. Spending plans for this is via the Gloucestershire Economic Growth Joint Committee.

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

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

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

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

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

Other - Small number of miscellaneous reserves

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

School Balances and Other School Related - These reserves represents specific ring fenced balances held by individual schools and central ring fenced balances carried forward to support future years expenditure. The Dedicated School Grant Reserve is currently in a deficit position. Guidance from Central Government is that these costs cannot be charged to the Council's General Fund. An action plan is being developed in association with the Schools Forum to address future funding pressures.

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

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

3. Non-current Assets

2018/19	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Heritage Assets	PFI Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Gross book value at 31st March 2018	763,595	28,856	695,950	11,423	6,527	934	20,947	1,528,232
Additions	17,231	5,821	48,603	-	4,223	-	12	75,890
Donations	-	-	-	-	-	-	-	-
Revaluation increases recognised in Revaluation Reserve	17,707	-	-	220	-	-	3,756	21,683
Revaluation Reserve adjustment refund to I & E	7,205	-	-	10	-	-	502	7,717
Revaluation decrease recognised in Revaluation Reserve	-25,351	-	-	-690	-	-	-	-26,041
Revaluation Reserve adjustment charge to I & E	-16,066	-	-	-200	-	-	-	-16,266
Derecognition – Disposals	-12,104	-2,656	-3,233	-215	-	-	-	-18,208
Assets reclassified from Held for Sale	275	-	-	-	-	-	-	275
Assets reclassified to Held for Sale	-475	-	-	-	-	-	-	-475
Assets Under Construction completed schemes	6,190	-	-	-	-6,190	-	-	-
Surplus reclassification	308	-	-	-308	-	-	-	-
PFI adjustment							3,726	3,726
Gross book value at 31st March 2019	758,515	32,021	741,320	10,240	4,560	934	28,943	1,576,533
Restated Accumulated Depreciation and Impairment as at 31st March 2018	-22,767	-13,943	-291,805	-1,040	-	-	-1,277	-330,832
Depreciation charge in year	-13,876	-6,059	-25,258	-107	-	-	-1,530	-46,830
Depreciation written out to the Surplus/Deficit on the provision	7,658	-	-	-	-	-	-	7,658
Depreciation written out to the Revaluation Reserve	25,375	-	-	827	-	-	1,277	27,479
Surplus reclassification	-121	-	-	121	-	-	-	-
Derecognition – disposals	1,382	2,394	3,233	15	-	-	-	7,024
At 31st March 2019	-2,349	-17,608	-313,830	-184	-	-	-1,530	-335,501
Net book value at 31st March 2019	756,166	14,413	427,490	10,056	4,560	934	27,413	1,241,032

2019/20	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Heritage Assets	Fire PFI Assets included in PPE	EFW PPP Assets included in PPE	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross book value at 31st March 2019	758,515	32,021	741,320	10,240	4,560	934	28,943	-	1,576,533
Additions	17,795	8,439	48,069	-	1,451	-	88	181,742	257,584
Revaluation increases recognised in Revaluation Reserve	88,829	-	-	1,658	-	-	771	-	91,258
Revaluation Reserve adjustment refund to I & E	24,125	-	-	42	-	-	-	310	24,477
Revaluation decrease recognised in Revaluation Reserve	-14,211	-	-	-62	-	-	-	-	-14,273
Revaluation Reserve adjustment charge to I & E	-11,085	-	-	-111	-	-	-	-5,719	-16,915
Revalued assets – Depreciation reversals	-12,987	-	-	-251	-	-	-3,144	-3,520	-19,902
Derecognition – Disposals	-25,236	-4,780	-4,888	-	-	-	-	-	-34,904
Assets Reclassified	1,410	-	-	-5,542	-	-	-	4,500	368
AUC reclassification on completion	4,490	-	-	-	-4,490	-	-	-	0
Gross book value at 31st March 2020	831,645	35,680	784,501	5,974	1,521	934	26,658	177,313	1,864,226
Accumulated Depreciation and Impairment as at 31st March 2019	-2,349	-17,608	-313,830	-184	-	-	-1,530	-	-335,501
Depreciation charge in year	-14,567	-7,297	-28,671	-67	-	-	-1,614	-3,520	-55,736
Depreciation written out to the Surplus/Deficit on the provision	9,875	-	-	356	-	-	2,516	3,520	16,267
Depreciation written out to the Revaluation Reserve	3,112	-	-	-105	-	-	628	-	3,635
Derecognition – Disposals	3,929	4,629	4,888	-	-	-	-	-	13,446
As at 31st March 2020	-	-20,276	-337,613	-	-	-	-	-	-357,889
Net book value at 31st March 2020	831,645	15,404	446,888	5,974	1,521	934	26,658	177,313	1,506,337

A material uncertainty exists for the valuations undertaken during 2019-20 as a result of the Covid-19 pandemic.

Non Current Asset Valuations

Land and Property

The Code requires all land and property to be formally revalued at least every five years. Our revaluations are done on a two year rolling programme, this years valuation covers a full valuation of all maintained School and Nursery assets as at 31st March 2020 and a review of all Non School assets as at 31st March 2020.

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

Fair Value- Surplus Assets

Non-operational land and property is included on the basis of IFRS 13 Fair Value except assets under construction which are included on the basis of capital expenditure incurred by 31st March 2020. The valuations have been undertaken through a combination of the Council's internal valuers and where necessary, external valuers, all of which are RICS qualified, consistent with the current accounting policy. All the Council's surplus assets have been assessed as Level 3 for valuation purposes using the following fair value hierarchy:-

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

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

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

Vehicles, Plant, Furniture and Equipment

Vehicles, plant, furniture and equipment are included at historical cost, less accumulated depreciation.

Furniture and equipment charged to the capital account is included at historical cost and depreciated over the expected life.

Infrastructure Assets

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

Donated Assets

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

4. Expenditure and Funding Analysis

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

2018/19					Expenditure and Funding Analysis					2019/20				
As Reported for Resource Management	Adjustments to Arrive at the New Amount Chargeable to the General Fund Balance	Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		As Reported for Resource Management	Adjustments to Arrive at the New Amount Chargeable to the General Fund Balance	Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement				
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000				
144,114	-8,058	136,056	7,295	143,351	Adults	146,313	-8,211	138,102	19,545	157,647				
34,120	-24,771	9,349	1,615	10,964	Prevention & Wellbeing	32,654	-463	32,191	1,827	34,018				
113,364	-8,549	104,815	33,220	138,035	Children & Families	126,523	-9,488	117,035	28,358	145,393				
68,172	-6,199	61,973	22,468	84,441	Economy, Environment & Infrastructure	70,325	-10,969	59,356	38,292	97,648				
19,908	-1,713	18,195	17,133	35,328	Community Safety	20,664	-4,162	16,502	3,991	20,493				
28,775	-	28,775	10,781	39,556	Corporate Resources	31,243	-	31,243	2,988	34,231				
-29,861	25,757	-4,104	4,104	-	Corporate Resources Recharges	-32,497	27,368	-5,129	5,129	-				
39,489	-11,337	28,152	-13,424	14,728	Technical & Countywide	34,110	-10,280	23,830	-9,690	14,140				
418,081	-34,870	383,211	83,192	466,403	Net cost of Services	429,335	-16,205	413,130	90,440	503,570				
-418,081	34,870	-383,211	-83,123	-466,334	Other income and expenditure	- 429,661	16,205	-413,456	-45,108	-458,564				
-	-	-	69	69	Surplus or Deficit	- 326	-	-326	45,332	45,006				
18,520					Opening General Fund Balance 31 st March	18,520								
-					Surplus/deficit on General Fund	326								
-					Budgeted Transfer from General Fund	-								
18,520					Closing General Fund Balance 31 st March	18,846								

2018/19

Adjustments from the General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	As Reported for Resource Management	Interest Receivable Reported at Portfolio Level	Flood Defence Levies Reported at Portfolio Level	Interest Payable Reported at Portfolio Level	Removal of Central Support Recharges and Adjustment for Public Health Grant Funding	Net Expenditure Charged to the General Fund Balance	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Adjustments Between Funding and Accounting Basis	Total Adjustments
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adults	144,114	133	-	-	-8,191	136,056	5,522	5,648	-3,875	7,295	-763
Public Health	34,120	-	-	-	-24,771	9,349	-	82	1,533	1,615	-23,156
Children & Families	113,364	37	-	-	-8,586	104,815	16,489	13,556	3,175	33,220	24,671
Economy, Environment & Infrastructure	68,172	-	-	-	-3,991	64,181	30,500	2,519	-10,551	22,468	18,477
Community Safety	19,908	-	-	-2,208	-1,713	15,987	-1,656	13,513	5,276	17,133	13,212
Corporate Resources	28,775	-	-	-	-	28,775	11,302	-48	-473	10,781	10,781
Corporate Resources Recharges	-29,861	-	-	-	25,757	-4,104	-	-	4,104	4,104	29,861
Technical & Corporate	39,489	5,781	-313	-14,029	-2,776	28,152	-2,274	2,652	-13,802	-13,424	-24,761
Net Cost of Services	418,081	5,951	-313	-16,237	-24,271	383,211	59,883	37,922	-14,613	83,192	48,322
Other income and expenditure from the funding analysis	-418,081	-5,951	313	16,237	24,271	-383,211	2,760	19,925	-105,808	-83,123	-48,253
Difference between General Fund Surplus and Deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit	-	-	-	-	-	-	62,643	57,847	-120,421	69	69

Note i Adjustments for Capital Purposes

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

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

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

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

Note ii Net Change for the Pensions Adjustments

Benefits pension related expenditure and income:

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

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

Note iii Other Differences

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

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

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2019/20

Adjustments from the General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	As Reported for Resource Management	Interest Receivable Reported at Portfolio Level	Flood Defence Levies Reported at Portfolio Level	Interest Payable Reported at Portfolio Level	Removal of Central Support Recharges and Adjustment for Public Health Grant Funding	Net Expenditure Charged to the General Fund Balance	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Adjustments Between Funding and Accounting Basis	Total Adjustments
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adults	146,313	178	-	-	-8,389	138,102	5,684	5,487	8,374	19,545	11,334
Prevention & Wellbeing	32,654	-	-	-	-463	32,191	-	74	1,753	1,827	1,364
Children & Families	126,523	81	-	-	-9,569	117,035	5,751	13,007	9,600	28,358	18,870
Economy, Environment & Infrastructure	70,325	-	-	-6,566	-4,403	59,356	39,149	2,519	-3,376	38,292	27,323
Community Safety	20,664	-	-	-2,158	-2,004	16,502	3,149	1,770	-928	3,991	-171
Corporate Resources	31,243	-	-	-	-	31,243	4,669	24	-1,705	2,988	2,988
Corporate Resources Recharges	-32,497	-	-	-	27,368	-5,129	-	-	5,129	5,129	32,497
Technical & Countywide	34,110	6,084	-321	-13,503	-2,540	23,830	2,630	-2,513	-9,807	-9,690	-19,970
Net Cost of Services	429,335	6,343	-321	-22,227	-	413,130	61,032	20,368	9,040	90,440	74,235
Other income and expenditure from the funding analysis	-429,661	-6,343	321	22,227	-	-413,456	18,242	21,055	-84,405	-45,108	-28,903
Difference between General Fund Surplus and Deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit	-326	-	-	-	-	-326	79,274	41,423	-75,365	45,332	45,332

Note i Adjustments for Capital Purposes

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

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

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

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

Note ii Net Change for the Pensions Adjustments

Benefits pension related expenditure and income:

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

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

Note iii Other Differences

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

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

Revenues From External Customers	2018/19 £000	2019/20 £000
Adults	-29,130	-32,043
Children & Families	-8,655	-9,275
Economy, Environment & Infrastructure	-14,581	-18,954
Community Safety	-904	-679
Prevention & Wellbeing	-2	-79
Corporate Resources	-7,964	-8,681
Technical & Countywide	-15	-22
Total Revenue from External Customers	-61,251	-69,733

5. Financial Instruments

Fair Values of Assets and Liabilities

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans. The fair value is established by estimating the price the PWLB would receive if it sold the loans to another market participant.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

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

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

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

		31 st March 2019		31 st March 2020	
	Fair Value Level	Carrying Amount shown on Balance Sheet	Fair Value	Carrying Amount shown on Balance Sheet	Fair Value
Financial liabilities held at amortised cost:		£'000	£'000	£'000	£'000
Loans from PWLB	2	238,869	321,955	230,934	316,629
Non PWLB loans	2	41,582	72,970	61,612	102,657
Finance Leases and PFI Liabilities	2	19,138	32,230	98,408	62,303
Total Financial Liabilities held at amortised cost		299,589	427,155	390,954	481,589
Liabilities for which fair value is not disclosed *		104,614		169,871	
Total Financial Liabilities		404,203	531,769	560,825	651,460

Recorded on the balance sheet as:

Short term creditors	96,281	98,557
Short term borrowing	44,294	65,017
Short term provisions	1,882	1,887
Deferred liabilities	2,310	64,300
Long term borrowing	255,295	325,937
Long term provisions	4,141	5,127
Total Financial Liabilities	404,203	560,825

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

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

		31 st March 2019 Balance Sheet at Fair Value	31 st March 2020 Balance Sheet at Fair Value
Financial assets held at fair value		£'000	£'000
Money market funds	1	25,121	21,548
Equities	1	29,150	37,499
Property funds	2	32,649	31,005
Total Financial Assets held at Fair Value		86,920	90,052

Financial assets held at amortised cost:		31 st March 2019 Balance Sheet £'000	Fair Value £'000	31 st March 2020 Balance Sheet £'000	Fair Value £'000
Bank/other deposits	2	83,739	83,802	96,880	94,746
Loans to local authorities	2	150,878	154,328	132,244	134,655
Cash in Hand		2,347	2,347	7,202	7,202
Total Financial Assets held at Amortised Cost		236,964	240,477	236,326	236,603

Assets for which fair value is not disclosed *	81,720	54,074		
Total Financial Assets	405.604	409.117	380.452	380.729

Recorded on the balance sheet as:-

Long-term debtors	100	63
Long-term investments	88,306	66,059
Short-term debtors	81,620	54,010
Short-term investments	176,082	113,727
Cash and cash equivalents	59,496	146,593
Total Financial Assets	405,604	380,452

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

The fair values of the financial assets held at amortised cost are slightly higher than the balance sheet amount. Although we are operating in a lower interest rate environment careful negotiations on deals made with other local authorities has enabled the Council to lock into attractive rates above those that would normally be expected.

Property funds totalling £31m have been moved from level 1 to level 2 of the hierarchy for 2019/20 reflecting that there is no longer an active market in these instruments. Fund managers have suspended redemptions reflecting market conditions for underlying properties caused by the economic consequences of the coronavirus pandemic.

The Council holds shares costing £1 in Ubico Ltd. The fair value of the council's interest in the company at 31st March 2020 is considered to be nil, since it is a wholly local authority owned not-for-profit 'Teckal' company. As a 'Teckal' company it is treated as if it were an in house department and the shareholder councils are able to enter into service contracts with the company without undertaking an EU compliant procurement process.

Expense, Income, Gains and Losses

	Financial Liabilities: Amortised Cost	Financial Assets: Amortised Cost	2018/19 Financial Assets: Fair Value through Profit and Loss	Financial Assets: Fair Value through Other Comprehensive Income	Total	Financial Liabilities: Amortised Cost	Financial Assets: Amortised Cost	2019/20 Financial Assets: Fair Value through Profit and Loss	Financial Assets: Fair Value through Other Comprehensive Income	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	16,237	-	-	-	16,237	22,227	-	-	-	22,227
Losses from changes in fair value										
Interest payable and similar changes	16,237	-	-	-	16,237	22,227	-	-	-	22,227
Interest and dividend income	-	-2,167	-3,785	-	-5,952	-	-2,471	-3,872	-	-6,343
Gains from changes in fair value			870		870	-	-	8,358	-	8,358
Interest and investment income	-	-2,167	-2,915	-	-5,082	-	-2,471	4,486	-	2,015
Gain (-)/Loss on revaluation					-					-
Impact on Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-
Net loss/gain(-) for the year	16,237	-2,167	-2,915	-	11,155	22,227	-2,471	4,486	-	24,242

6. Inventories

	2018/19 £'000	2019/20 £'000
Maintenance Materials		
Balance outstanding at start of the year	610	2,165
Purchases	3,716	2,038
Stock used within the year	-2,161	-1,973
Balance at 31st March	2,165	2,230

7. Contractual Capital Commitments

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

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

Leckhampton Primary School expansion	£3.7 million
Highways Term Maintenance	£20.0 million
Professional Services Highways	£4.0 million

8. Debtors

	2018/19 £'000	2019/20 £'000
Central Government Bodies	16,602	12,538
Other Local Authorities	3,680	4,526
NHS Bodies	10,103	5,752
Public Corporations and Trading Funds	389	384
Other Entities and Individuals	50,846	30,810
Balance at 31st March	81,620	54,010

9. Cash and Cash Equivalents

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

	2018/19 £'000	2019/20 £'000
Cash held by the Council, including schools	2,393	7,202
Cash held in call/money market accounts with same day access	19,603	52,015
Cash Equivalents - investments maturing within 3 months	37,500	87,376
Balance at 31st March	59,496	146,593

10. Assets Held for Sale

	2018/19 £'000	2019/20 £'000
Balance outstanding at start of year	1,197	1,397
Assets newly classified as held for sale:		
Property, Plant and Equipment	475	107
Assets sold	-275	-475
Balance at 31st March	1,397	1,029

11. Provisions

	Short Term Liabilities	Long Term Liabilities	Balance at 1 st April 2019	Applications	Additions	Amounts Written off in Year	Balance at 31 st March 2020	Short Term Liabilities	Long Term Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance Fund	-1,882	-2,655	-4,537	-	-194 *		-4,731	-1,610	-3,121
Adults:									
Contracts	-	-1,264	-1,264	1,018	-1,575	-	-1,821	-36	-1,785
Economy, Environment & Infrastructure:									
GSWBP Land Claims	-	-93	-93	1	-	-	-92	-	-92
Contracts	-	-100	-100	-	-241	-	-341	-241	-100
General:	-								
LAMS Scheme Liabilities	-	-29	-29	-	-	-	-29	-	-29
Total	-1,882	-4,141	-6,023	1,019	-2,010	-	-7,014	-1,887	-5,127
Employee Accrual - IAS19 accumulated absences	-8,353	-	-8,353	288	-	-	-8,065	-8,065	
Total	-8,353	-	-8,353	288	-	-	-8,065	-8,065	-

* 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.

Employee Accrual - IAS19 accumulated absences

Local Authorities are required to account for benefits payable during employment in accordance with IAS19. The provision held within the Accumulated Absences Account relates to estimated costs associated with short term benefits such as leave, flexible working hours and additional TOIL, which have been accumulated at the end of 2019/20 but will not be settled until 2020/21.

12. Creditors & Revenue Receipts in Advance

	2018/19 £'000	2019/20 £'000
Central Government Bodies	28,837	15,691
Other Local Authorities	4,420	6,590
NHS Bodies	7,513	7,856
Public Corporations and Trading Funds	300	155
Other Entities and Individuals	55,211	68,265
Balance at 31st March	96,281	98,557

13. Unusable Reserves**Revaluation Reserve**

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

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

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

	2018/19 £'000	2019/20 £'000
Balance at 1st April	258,133	276,608
Upward revaluation of assets	35,919	91,258
Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	-10,461	-14,273
Depreciation written out to the Capital Adjustment Account	-3,195	-3,635
Accumulated gains on assets sold or scrapped	-3,788	-3,397
Balance at 31st March	276,608	346,561

Pooled Instrument Adjustment Account

The Pooled Instrument Adjustment Account contains the gains/losses made by the Council arising from increases/decreases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments. They are instruments that are categorised as Fair Value through profit and loss but subject to a statutory override so that they do not impact on year on council tax payers

	2018/19 £'000	2019/20 £'000
Balance at 1st April	2,303	1,102
Sale of Investments	-330	-
Change in year end valuation	-871	-8,358
Balance at 31st March	1,102	-7,256

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.

	2018/19 £'000	2019/20 £'000
Balance at 1st April	637,673	659,832
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	-43,717	-55,736
Depreciation written out to the Revaluation Reserve	3,195	3,635
Amortisation of intangible assets	-184	-260
PFI Lifecycle costs	13	260
Revaluation losses on Property, Plant and Equipment	-2,615	7,562
Revenue expenditure funded from capital under statute	-17,260	-12,598
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-11,184	-21,457
Adjusting amounts written out of the Revaluation Reserve	3,788	3,397
Capital financing applied in the year:		
Write off of deferred charges	-	1,086
Use of the Capital Receipts Reserve to finance new capital expenditure	11,736	12,602
RCCO applied to capital financing	7,509	43,786
Voluntary Provision for financing of Capital Investment	-	-
Statutory Provision for the financing of Capital Investment	6,888	7,698
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	63,990	58,087
Balance at 31st March	659,832	707,894

Defined Pension Fund Reserve

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

	2018/19 £'000	2019/20 £'000
Balance at 1st April	-719,749	-867,074
Remeasurement of net defined benefit liability	-92,379	201,017
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	-54,946	-37,584
Balance at 31st March	-867,074	-703,641

Collection Fund Adjustment Account

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

	2018/19 £'000	2019/20 £'000
Balance at 1st April	3,189	-9,373
Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic income calculated for the year in accordance with statutory requirements.	-12,562	9,169
Balance at 31st March	-9,373	-204

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.

	2018/19 £'000	2019/20 £'000
Balance at 1st April	-9,473	-8,353
Amount in which the settlement or cancellation of accrual made at the end of the preceding year and the amount accrued at the end of this year differs.	1,120	288
Balance at 31st March	-8,353	-8,065

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.

	2018/19 £'000	2019/20 £'000
Balance at 1st April	-3,959	-3,679
Adjustments with the General Fund relating to the total of deferred premiums/discounts:		
Net write down	280	309
Balance at 31st March	-3,679	-3,370

Deferred Capital Receipts Reserve

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

The 2019/20 transfer represents the money received back from the funds invested in Funding Circle (£0.1 million). As these monies are invested for capital purposes, as and when repaid they will be used for further capital investment in line with accounting standards.

	2018/19 £'000	2019/20 £'000
Balance at 1st April	1,100	100
Transfer to the Capital Receipts Reserve upon receipt of cash	-1,000	-37
Balance at 31st March	100	63

14. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

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

	2018/19 £'000	2019/20 £'000
Depreciation & Impairment	-46,319	-48,174
Amortisation	-184	-260
Increase/Decrease in Creditors	-14,400	-474
Increase/Decrease in Debtors	30,999	-27,331
Increase/Decrease in Inventories	1,555	65
Movement in Pension Liability	-54,946	-38,884
Other non-cash items charged to the net surplus or deficit on the provision of services	-25,032	-13,001
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-11,184	-21,457
Total	-119,511	-149,516

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

	2018/19 £'000	2019/20 £'000
Capital Grants credited to surplus or deficit on the provision of services	105,315	60,134
Premiums or discounts on the repayment of financial liabilities	-280	-310
Proceeds from the sale of property plant and equipment, investment property and intangible assets	8,424	3,215
Net cash flows from Operating Activities	113,459	63,039

The cash flows for operating activities include the following items:

	2018/19 £'000	2019/20 £'000
Interest received	-5,245	-6,457
Interest paid	16,419	22,942
Total	11,174	16,485

15. Cash Flow Statement – Investing Activities

	2018/19 £'000	2019/20 £'000
Purchase of property, plant and equipment, investment property and intangible assets	79,619	118,503
Purchase of short-term and long-term investments	858,463	725,428
Proceeds from the sale of property, plant and equipment, investment	-9,424	-3,252
Proceeds from short-term and long-term investments	-783,590	-801,651
Other receipts from investing activities	-98,797	-75,041
Net cash flows from Investing Activities	46,271	-36,013

16. Cash Flow Statement – Financing Activities

	2018/19 £'000	2019/20 £'000
Cash receipts of short and long term borrowing	-	-25,000
Repayments of short-term and long-term borrowing	7,863	12,863
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	571	1,224
Net cash flows from Financing Activities	8,434	-10,913

17. Movement in Net Debt

	2018/19 £'000	2019/20 £'000	Movements in year £'000
Movement In Cash Balances:			
Imprest Accounts	114	103	-11
Cash at Bank	21,882	59,114	37,232
Cash Equivalents investments	37,500	87,376	49,876
Net Cash	59,496	146,593	87,097
Financing & Liquid Resources	-100,823	-341,465	-240,642
Net Debt	-41,327	-194,872	-153,545

18. Expenditure and Income Analysed by Nature

	2018/19 £'000	2019/20 £'000
Fees, Charges & Other Service Income	-129,026	-138,517
Interest and Investment Income	-5,952	-6,343
Income from Council Tax	-281,200	-299,174
Government Grants and Contributions	-446,705	-476,904
Capital Grants and Contributions	-105,605	-60,133
Fire Pensions Top Up Grant	-4,500	-4,127
Total Income	-972,988	-985,198
Employee Expenses	366,038	377,395
Other Service Expenses	523,376	542,950
Depreciation, Amortisation and Impairment	46,516	48,434
Valuation Loss on Financial Instruments	870	8,358
Revenue expenditure funded from capital under statute	17,260	12,598
Interest Payments	16,237	22,227
Loss on the disposal of fixed assets	2,760	18,242
Total Operating Expenses	973,057	1,030,204
Surplus or Deficit on the Provision of Services	69	45,006

19. Pooled Budgets & Partnership Working

The Council has entered into partnership with Gloucestershire Clinical Commissioning Group under Section 75 of the NHS Act 2006. This legislation allows health bodies and health-related council services to work together more effectively in the provision of services designed to meet the needs of users without concern for the boundaries of their organisations. The partnership agreement comprises an overarching agreement, together with specific sections covering the following service areas;

Provision of Mental Health Services (Integrated Budget)

A partnership agreement with Gloucestershire Clinical Commissioning Group is in place to jointly commission mental health services. In 2019/20 the Council's share of the gross expenditure of the partnership was £8.8 million (£7.9 million in 2018/19), gross income was nil (nil in 2018/19) and therefore the Council's net contribution was £8.8 million (£7.9 million in 2018/19).

Provision of Social Care Occupational Therapy (Integrated Budget)

A partnership agreement, with Gloucestershire Clinical Commissioning Group, to commission occupational therapy services. In 2019/20 the gross expenditure of the partnership was £3.5 million (£3.6 million in 2018/19), gross income was nil (nil in 2018/19) and the Council's contribution was £2.5 million (£2.7 million in 2018/19).

Provision of a Community Equipment Service (Pooled Budget)

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

In 2019/20 the gross expenditure of the partnership was £7.7 million (£8.5 million in 2018/19), gross external income was £0.8 million (£0.8 million in 2018/19), and the Council's contribution was £2.5 million (£2.4 million in 2018/19). A further £0.7 million was made available to the partnership from the Disabled Facilities Grant.

Fastershire

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

Borders Broadband £15.570 million

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

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

The contract with BT has now come to an end and the final expenditure was £12.3 million relating to Gloucestershire of which £8.1 million has been funded from government grant, and £4.2 million funded from the Council's Reserves. The BDUK government grant required a minimum match funding from GCC of £7.5 million therefore we have £3.3 million of funding which must be spent on Broadband investment and remains a part of the Council's Economic Stimulus Reserve. Therefore a Gloucestershire program will be identified and rolled out as part of the overall Broadband strategy going forward.

Superfast Extension Programme (SEP) £9.66 million

The Fastershire partnership was awarded £10.98 million with the Council receiving £5.46 million from BDUK (SEP) and match funding of £4.2 million was approved by Cabinet on 17th September 2014. To date four contracts affecting Gloucestershire have been signed with Gigaclear and one with BT. The Council's funding contribution liability for each contract is as follows:

Contract	Provider	Gloucestershire County Council Contribution £'000
Stage 3.1	Gigaclear	1,500
Stage 3.2/3.3c	Gigaclear	2,549
Stage 3.3a	BT	346
Stage 3.3d	Gigaclear	936
Stage 3.3e	Gigaclear	619
Total Contractual liability funded by Gloucestershire County Council match funding		5,950
Superfast Extension Council Funding		-4,200
South West Ultrafast Council Funding		-1,750
Total GCC Match funding		-5,950

South West Ultrafast £4.00 million

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

Gloucestershire Joint Waste Partnership

On 1st April 2013, the Council entered into an Inter-Authority Agreement with Cheltenham Borough Council, Cotswold District Council and Forest of Dean District Council to form the Gloucestershire Joint Waste Partnership for the purpose of joint waste management in the county. Tewkesbury Borough Council joined the partnership on 15th December 2014. This partnership ended on 13th December 2019 following a decision by Cheltenham B.C to withdraw its membership, which in turn triggered the termination provisions within the partnership Inter-Authority Agreement. The partnership reported to the Gloucestershire Joint Waste Committee, hosted by the Council, with equal representation from member authorities. The Council acted as the accountable body for the partnership. The gross expenditure in 2019/20 of the partnership was £0.382 million, with the Council's contribution to this being £0.186 million.

Following termination of the Partnership on the 13th December 2019, options for future partnership working are being explored and have yet to be agreed. It is likely that a new less formal arrangement will be developed with the intention of all Gloucestershire local authorities being part of it.

The Better Care Fund

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

In 2019/20 the total funding covered within the BCF was £44.2 million (£43.6 million in 2018/19), of which £20.0 million was allocated to the Council as Lead Commissioner (£21.3 million in 2018/19), The CCG was allocated £24.3 million as Lead Commissioner (£22.3 million in 2018/19).

Shared Audit Services

The ARA shared service is an audit risk & assurance shared service hosted by the Council under a section 101 agreement, with Stroud District Council and Gloucester City Council as partners. Governance arrangements are completed through a Shared Service Board. All expenditure and income is within the Council's accounts, with the two partners being charged an annual fee based on agreed service provision. Fee income is also received from the provision of audit and other services to clients (e.g. Ubico Ltd).

In 2019/20 the net spend totalled £0.611 million.

In addition to the net spend, a dividend was released to the ARA partners in quarter 1 2019/20 based on a surplus position achieved by the shared service in 2018/19 and the section 101 agreement fee base percentages. The dividend released to Gloucestershire County Council was £35,000.

Ubico Ltd

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

The Council procured supplies and services totalling net expenditure of £1.926 million from Ubico Ltd during 2019/20, £0.050 million of which is included in the council's balance sheet: £0.081 million as a short term creditor and £0.031 million as a short term debtor at year end. Sites, plant and equipment and other infrastructure are provided by the Council and are included within the Councils asset register. Vehicles used for haulage are provided by Ubico Ltd under the terms of the contract.

Adoption West

On the 1 March 2019 the Council joined together with Bath and North East Somerset, Bristol and North Somerset, South Gloucestershire and Wiltshire Councils to create a new regional adoption agency, called Adoption West. The aim of the collaboration is to deliver an adoption service that offers improved outcomes for both children, people who want to adopt and people whose lives are affected by adoption. During 2019/20 the Council made payments to Adoption West totalling £0.858 million.

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

20. Officer's Remuneration

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

- They report directly to the Chief Executive, or;
- They are part of the Council's Senior Management Team, or;
- They hold posts required by statute.
- They hold posts that have significant influence and control over the Council's activities.

The senior employees who met the above criteria for 2018/19 and 2019/20 are as follows:

2018/19 - Restated

The 2018/19 figures have been restated to correct an arithmetic error in the accumulative totals shown against specific officers, and amended to include the Director of Education.

	Salary, Fees and Allowances	Compensation for loss of Office	Other Taxable Benefits	Employer's Pension Contributions	Total
	£	£	£	£	£
Chief Executive, Mr P Bungard (1)	134,971	-	-	-	134,971
Commissioning Director (2)	59,827	-	1,011	14,359	75,197
Chief Fire Officer & Operations Director (3)	31,299	-	-	6,792	38,091
Chief Fire Officer (3)	11,906	-	-	1,703	13,609
Interim Chief Fire Officer (3)	50,812	-	-	19,189	70,001
Commissioning Director: Communities & Infrastructure (4)	66,974	-	-	12,323	79,297
Commissioning Director: Adults	125,013	-	-	23,002	148,015
Operations Lead: Adult Social Care & Business Development	101,760	-	-	18,724	120,484
Director of Integration (5)	51,538	-	279	7,411	59,228
Director of Public Health	104,039	-	-	14,961	119,000
Director: Children's Services	140,013	-	-	-	140,013
Director of Children's Safeguarding (6)	86,047	-	-	15,833	101,880
Director of Children's Partnerships (7)	72,643	-	-	13,366	86,009
Director of Education (*)	75,894	-	-	14,197	90,091
Director: Strategic Finance (8)	98,801	-	-	18,179	116,980
Acting Director of Finance and S151 Officer (8)	18,708	-	-	4,194	22,902
Acting Director of HR and Digital (8)	18,708	-	-	4,194	22,902
Director: Strategy & Challenge and Monitoring Officer	103,163	-	-	18,982	122,145
Head of Property services	77,317	-	-	14,226	91,543
Head of Communication (9)	58,016	-	-	10,898	68,914
	1,487,449	-	1,290	232,533	1,721,272

- (1)** The Chief Executive works 29.6 hours per week. The full time equivalent salary for 2018/19 is £168,714.
- (2)** The Commissioning Director is an employee of Gloucester City Council and Gloucestershire County Council is liable for half of the costs associated with this role.
- (3)** The Chief Fire Officer and Operations director left the Council on the 03/07/2018. A new Chief Fire Officer was appointed and started 25/02/2019. From the 24/07/2018 - 24/02/2019 the deputy fire officer acted up as interim Chief Fire Officer.
- (4)** The Commissioning Director: Communities & Infrastructure left the Council on 21/10/2018. The post was vacant for the remainder of the financial year but was covered on a temporary basis through consultancy services from Penna PLC between 24/10/2018 until 31/03/2019 at a cost of £82,990.
- (5)** The Director of Integration is an employee of Gloucestershire Clinical Group and Gloucestershire County Council is liable for half of the costs associated with this role.
- (6)** The Director of Children's Safeguarding started on 02/07/2018. The full year equivalent salary is £101,760.
- (7)** The Director of Children partnerships started on 20/08/2018. The full year equivalent salary is £101,760.
- (8)** The Director of Strategic Finance left the authority on the 15/01/2019, the position was vacant for the rest of the Financial year but the Head of Financial Management acted up to director of Finance and took on the statutory role of Section 151 officer and the Head of Human Resources and OD became acting Director of HR and Digital.

2019/20

	Salary, Fees and Allowances	Compensation for loss of Office	Other Taxable Benefits	Employer's Pension Contributions	Total
	£	£	£	£	£
Chief Executive, Mr P Bungard (1)	137,655	-	-	-	137,655
Commissioning Director (2)	59,841	-	1,159	14,362	75,362
Chief Fire Officer	127,514	-	-	36,724	164,238
Executive Director: Economy, Environment & Infrastructure (3)	27,254	-	-	5,015	32,269
Executive Director: Adults Social Care	114,171	-	-	4,201	118,372
Operations Lead: Adult Social Care & Business Development	103,796	-	-	19,098	122,894
Director of Integration (4)	57,900	-	452	4,134	62,486
Director of Public Health	103,796	-	-	14,926	118,722
Executive Director: Children's Services	142,514	-	-	-	142,514
Director of Children's Safeguarding	103,517	-	-	19,096	122,613
Director of Children's Partnerships	103,796	-	-	19,098	122,894
Director of Education	97,154	-	-	17,876	115,030
Executive Director: Corporate Resources (5)	80,525	-	-	14,817	95,342
Director of Finance	96,559	-	-	17,767	114,326
Director of Digital and People	93,791	-	-	17,258	111,049
Head of Communication (6)	23,114	-	-	4,253	27,367
Head of Property Services (7)	28,104	-	-	5,171	33,275
Director of Strategy & Challenge and Monitoring Officer (8)	51,188	-	-	9,419	60,607
Head of Strategic Planning, Performance & Change and Monitoring Officer (8)	42,412	-	-	7,804	50,216
	1,594,601	-	1,611	231,019	1,827,231

- (1)** The Chief Executive works 29.6 hours per week. The full time equivalent salary for 2019/20 is £172,069.
- (2)** The Commissioning Director is an employee of Gloucester City Council and Gloucestershire County Council is liable for half of the costs associated with this role.
- (3)** The Executive Director: Economy, Environment and Infrastructure post was covered on a temporary basis through consultancy services from Penna PLC between 01/04/2019 until 19/01/2020 at a cost of £165,995. This post was filled from 20/01/2020, the full year equivalent salary for this post is £138,541.
- (4)** The Director of Integration is an employee of Gloucestershire Clinical Group and Gloucestershire County Council is liable for half of the costs associated with this role.
- (5)** The Executive Director: Corporate Resources started on the 05/08/2019, the full year equivalent salary for 2019/20 is £123,314.
- (6)** The Head of Communications reported directly to the CEO until the 05/08/2019, their full year salary was £66,613.
- (7)** The Head of Property Services reported directly to the CEO until the 05/08/2019, their full year salary was £80,993.
- (8)** The Director for Strategy and Challenge left on the 22/09/2019. The full year equivalent salary for 2019/20 is £106,764. This position was left vacant for the rest of the financial year, and the Head of Strategic Planning, Performance and Change acted up and took over the role of Monitoring Officer.

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

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

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

The table reflects the total remuneration, including compensation for loss of office (redundancy), received by employees as at 31st March 2020, not just an employee's gross salary.

Remuneration band	2018/19		2019/20	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	55	40	57	60
£55,000 - £59,999	47	26	46	28
£60,000 - £64,999	31	23	32	27
£65,000 - £69,999	18	12	21	12
£70,000 - £74,999	5	4	14	5
£75,000 - £79,999	2	5	2	4
£80,000 - £84,999	2	2	3	4
£85,000 - £89,999	2	2	3	-
£90,000 - £94,999	2	-	-	2
£95,000 - £99,999	1	2	2	2
£100,000 - £104,999	-	3	-	5
£105,000 - £109,999	-	-	-	1
£110,000 - £114,999	-	1	-	1
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	-	-	-	-
£125,000 - £129,999	-	2	-	2
£130,000 - £134,999	-	1	-	-
£135,000 - £139,999	-	-	-	1
£140,000 - £144,999	-	1	-	1
£145,000 - £149,999	-	-	-	-
£150,000 - £154,999	-	-	-	-
£155,000 - £159,999	-	-	-	-
£160,000 - £164,999	-	-	-	-
£165,000 - £169,999	-	-	-	-
£170,000 - £174,999	-	-	-	-
£175,000 - £179,999	-	-	-	-
£180,000 - £184,999	-	-	-	-
£185,000 - £189,999	-	-	-	-
£190,000 - £194,999	-	-	-	-
£195,000 - £199,999	-	-	-	-
£200,000 - £204,999	-	-	-	-
£205,000 - £209,999	-	-	-	-
£210,000 - £214,999	-	-	-	-
£215,000 - £219,999	-	-	-	-
£220,000 - £224,999	-	-	-	-
£225,000 - £229,999	-	-	-	-
£230,000 - £234,999	-	-	-	-
£235,000 - £239,999	-	-	-	-
£240,000 - £244,999	-	-	-	-
£245,000 - £249,999	-	-	-	-
Total	165	124	180	155

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:

2018/19

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	11	35	46	351,753
£20,001 - £40,000	4	6	10	291,985
£40,001 - £60,000	-	1	1	45,000
£60,001 - £80,000	1	-	1	66,412
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	1	-	1	122,533
£150,001 - £200,000	-	-	-	-
Accruals/Provision	1	-	1	77,318
Total	18	42	60	955,001

2019/20

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	15	37	52	283,043
£20,001 - £40,000	3	7	10	272,547
£40,001 - £60,000	1	-	1	50,645
£60,001 - £80,000	2	1	3	190,935
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	-	-	-
Accruals/Provision	-	1	1	33,990
Total	21	46	67	831,160

The total cost of £831,160 in the table above includes £33,990 for exit packages that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

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

21. Members' Allowances

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

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

	2018/19 £'000	2019/20 £'000
Basic Allowances	533	542
Special Responsibility Allowances	267	292
Travel & Subsistence Allowances	33	29
Total	833	863

22. External Audit Costs

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

	2018/19 £'000	2019/20 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	75	75
Additional fees associated with external audit services	24	28
Fees payable for the certification of grant claims and returns for the year	9	-
Fees payable in respect of other services provided during the year	10	-
Total	118	103

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

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school

Details of the deployment of DSG receivable for 2019/20 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2019/20 before academy and high needs recoupment			452,318
Academy and high needs figure recouped for 2019/20			-197,120
Total DSG after academy and high needs recoupment for 2019/20			255,198
Plus: Brought forward from 2018/19			-817
Less: Carry forward to 2020/21 agreed in advance			-
Agreed initial budgeted distribution for 2019/20	79,748	174,633	254,381
In Year Adjustments	436	-	436
Final budget distribution for 2019/20	80,184	174,633	254,817
Less: Actual central expenditure	-86,900	-	-86,900
Less: Actual ISB deployed to schools	-	-174,633	-174,633
Plus: Local Authority contribution for 2019/20	-	-	-
Deficit Carry Forward to 2020/21	-6,716	-	-6,716

24. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

Credited to Taxation and Non Specific Grant Income

	2018/19 £'000	2019/20 £'000
National Non Domestic Rates Income	-86,674	-88,965
Non Service Related Grants	-22,518	-70,023
Fire Pensions Top Up Grant	-4,500	-4,127
Total	-113,692	-163,115

Revenue Grants Credited to Services

	2018/19 £'000	2019/20 £'000
Department for Work & Pensions - Workstep Grant	-11	-222
Department for Children's Schools & Families Grants	-27,761	-30,554
Department for Education Grants	-255,322	-255,785
Department of Health Grants	-24,271	-1,081
Community & Local Government Grants	-19,843	-18,812
Youth Justice Board Grant	-552	-546
Young Peoples Learning Agency Grants	-2,013	-1,573
Other Grants	-5,144	-6,189
Skills Funding Agency	-2,579	-3,144
Department for Environment, Food & Rural Affairs	-17	-10
Total	-337,513	-317,916

	2018/19 £'000	2019/20 £'000
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Account	-105,605	-60,134

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

Capital Grants Receipts in Advance

	2018/19 £'000	2019/20 £'000
Ministry of Housing, Communities and Local Government Grants	-12,618	-4,828
Non Government Contributions for Capital purposes	-11,186	-13,382
Highways Section 106 Contributions	-6,530	-6,236
Accountable body	-2,055	-16,744
Total	-32,389	-41,190

25. Related Parties

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

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from Government departments together with Grant receipts outstanding at 31st March 2020 are shown in Note 24.

In accordance with specific grant conditions, the Council confirms that it received a Big Lottery Fund and ESF Building Better Opportunities Grant totalling £487,834 in 2016/17. Total expenditure incurred against this grant totalled £42,640 in 2018/19 and £3,299 in 2019/20. The balance of £63,568 is included within the revenue grants receipts in advance section on the balance sheet. It is anticipated that these funds will be fully expended by the end of the project in 2021/22.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 21. Details of all member interests are recorded in the Register of Members' Interest, open to public inspection at Shire Hall during office hours or on the Council website.

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

The Gloucestershire Local Government Pension Scheme is a related party of Gloucestershire County Council due to the Council being the administering body of the scheme and by virtue of the Pension Committee including 6 Council Members out of the 8 Committee members. The Committee is supported by Council staff who may be subject to influence from Council Members. From the 2010/11 financial year the Pension Fund's "in-house" surplus cash balances have been held in the Pensions Fund's own bank account and in an instant access call account. The Council administers the Pension Fund's named accounts within its Treasury Management department. A total average balance of £22.59 million (£12.27 million in 2018/19) was held in the Pension Fund accounts for 2019/20 gaining interest of £0.160 million. (£0.066 million in 2018/19). The Council charged £2.36 million (£2.13 million in 2018/19) for administering the Pension Fund.

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

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

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

In 2019/20 payments of £14.4 million (£15.6 million in 2018/19) were made to the Order of St John Care Trust in relation to this contract. £1.3 million was outstanding at the year end (2018/19 £1.6 million).

The Council is part of a related party when local authorities across South West formed a shadow body to respond to Government's request for more strategic thinking on transport issues. This body is made up of 9 members who are responsible for producing a sub-national transport strategy and develop a regional transport evidence base. It is known as the Western Gateway Shadow Sub- National Transport Body (WGSSTB) and has no legal status but an example of partnership working.

The Council undertook the role of Lead Authority for the WGSSTB during 2019/20. The Lead Authority acts as the Accountable Body for the WGSSTB and during 2019/20 £0.203 million of contributions were received and £0.151 million spent leaving a balance of £0.052 million to be handed over to the next Lead Authority in 2020/21.

26. Capital Expenditure and Capital Financing

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

	2018/19 £'000	2019/20 £'000
Opening Capital Financing Requirement	302,076	305,188
Energy from Waste Scheme		118,369
Property, Plant and Equipment	75,976	75,862
Revenue Expenditure Funded from Capital under Statute	17,259	12,598
Total to Finance	93,235	88,460
Sources of finance		
Capital Receipts	-11,736	-12,602
Capital Fund & other Earmarked Reserves	-5,098	-4,097
Government Grants and other Contributions	-63,990	-58,087
Borrowing	-10,000	-11,985
Direct Revenue Contributions	-2,411	-39,689
	-93,235	-126,460
Internal Borrowing	10,000	11,985
MRP	-6,888	-7,698
Total revenue provision	3,112	4,287
Closing Capital Financing Requirement	305,188	389,844

Explanation of movements in year

Increase/decrease (-) in underlying need to borrowing	3,112	84,656
Increase/Decrease (-) in Capital Financing Requirement	3,112	84,656

Capital Expenditure 2019/20

	£'000	%
Adults	6,170	7.0
Children & Families	19,991	22.6
Communities & Infrastructure		
Highways	48511	54.8
Strategic Infrastructure	562	0.6
Waste Disposal	563	0.6
Libraries	181	0.2
Community Safety	426	0.5
Business Support		
Asset Management Property Services	6,523	7.4
ICT Projects	4,528	5.0
Archives & Information Management	685	1.0
Customer Services	176	0.2
Business Service Centre	13	0.0
Capital Receipts Expenditure	131	0.1
	88,460	100.0

27. Leases

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

Council as Lessee**Finance Leases**

Other than those schemes undertaken through the Private Finance Initiative as reported in Note 28, there were no further finance leases identified by the Council during 2019/20.

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
2018/19			
Property	430	834	1,577
Vehicles	168	113	-
Total	598	947	1,577
2019/20			
Property	455	1,244	1,976
Vehicles	308	104	-
Total	763	1,348	1,976

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:

	2018/19 £'000	2019/20 £'000
Property	438	465
Vehicles	285	300
Total	723	765

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

The Council has looked at all leases (including those that terminated at 31st March 2020) where it is the lessor (landlord), to establish the correct classification under IFRS.

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

Operating Leases

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

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

	Expiry date of lease		
	Within 1 year	After 1 year but less than 5 years	After more than 5 years
	£'000	£'000	£'000
2018/19			
Property	632	607	663
Total	632	607	663
2019/20			
Property	733	635	426
Total	733	635	426

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

	2018/19	2019/20
	£'000	£'000
Property	1,310	1,249
Total	1,310	1,249

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

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

2019/20 was the seventeenth year of a twenty-five year PFI contract for the design, build, financing and operation of a Joint Training facility in Avonmouth. The scheme is a joint PFI venture with Avon Fire Authority and Devon & Somerset Fire Authority whereby a significant proportion of the training required by the three services is provided at this facility.

Property, Plant and Equipment

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

Payments

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

Payments remaining to be made under the PFI contract at 31st March 2020 (excluding any estimation of inflation and availability/performance deductions) are as follows:

2018/19		Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
£'000					
739	Paid in 2019/20	552	98	107	757
	Outstanding undischarged contract obligations:				
757	Payable within one year	576	101	99	776
3,222	Payable within two to five years	2,502	501	298	3,301
3,553	Payable within six to ten years	2,095	510	92	2,697
7,532	Total	5,173	1,112	489	6,774

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:

	2018/19 £'000	2019/20 £'000
Balance outstanding at start of year	1,299	1,209
Payments during the year	-90	-98
Balance outstanding at year-end	1,209	1,111

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

	2018/19 £'000	2019/20 £'000
Opening Net Book Value	839	1,244
Depreciation	-97	-139
Revaluations	502	7
Balance	1,244	1,112

Fire Service Stations PFI Scheme

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

Property, Plant and Equipment

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

Payments

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

Payments remaining to be made under the PFI contract at 31st March 2020 (including an estimation of inflation and excluding estimations of availability/performance deductions) are as follows:

2018/19		Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
£'000		£'000	£'000	£'000	£'000
3,631	Paid in 2019/20	1,556	575	1,591	3,722
	Outstanding undischarged contract obligations:				
3,722	Payable within one year	1,599	676	1,540	3,815
15,843	Payable within two to five years	8,086	2,539	5,613	16,238
22,135	Payable within six to ten years	13,265	3,831	5,592	22,688
25,044	Payable within eleven to fifteen years	15,779	6,255	3,635	25,669
18,031	Payable within sixteen to twenty years	7,958	4,052	630	12,640
84,775	Total	46,687	17,353	17,010	81,050

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:

	2018/19 £'000	2019/20 £'000
Balance outstanding at start of year	18,526	17,928
Payments during the year	-598	-575
Balance outstanding at year-end	17,928	17,353

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

	2018/19 £'000	2019/20 £'000
Opening Net Book Value	22,555	26,169
Depreciation	-1,432	-1,476
Additions	12	88
Revaluations	5,034	764
Closing Balance	26,169	25,545

Energy from Waste Facility

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

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

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

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

Property, Plant and Equipment

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

Payments

The Council makes an agreed payment each year based on the tonnage of waste processed which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year. Payments remaining to be made under the contract arrangements at 31st March 2020 (including an estimation of tonnage, inflation and excluding estimations of availability/performance deductions) are as follows:

2018/19	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total	
£'000	£'000	£'000	£'000	£'000	
-	Paid in 2019/20	2,097	38,425	6,566	47,088
	Outstanding undischarged contract obligations:				
-	Payable within one year	6,016	561	14,871	21,448
-	Payable within two to five years	26,307	2,460	58,501	87,268
-	Payable within six to ten years	38,671	3,855	70,336	112,862
-	Payable within eleven to fifteen years	44,272	8,585	65,913	118,770
-	Payable within sixteen to twenty years	52,680	19,807	54,233	126,720
-	Payable within twenty one to twenty five years	50,980	44,675	27,135	122,790
-	Total	218,926	79,943	290,989	589,858

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:

	2018/19 £'000	2019/20 £'000
Balance outstanding at start of year	-	-
Balance outstanding at date of recognition	-	118,368
Payments during the year	-	-38,425
Balance outstanding at year-end	-	79,943

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

	2018/19 £'000	2019/20 £'000
Balance outstanding at start of year	-	-
Balance outstanding at date of recognition	-	63,202
Amortisation	-	-1,086
Closing Balance	-	62,116

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

	2018/19 £'000	2019/20 £'000
Opening Net Book Value at start of year (Land only)	4,500	4,500
Opening Net Book Value at recognition		181,571
Depreciation	-	-3,520
Additions	-	171
Revaluations	-	-5,409
Closing Balance	4,500	177,313

Arrangements that contain a lease

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

29. Impairment Losses - Capital

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

30. Termination Benefits

The Council terminated the contracts of a number of employees in 2019/20, incurring liabilities of £0.831 million (£0.955 million in 2018/19). Note 20 provides details of the number of exit packages and total cost per band.

31. Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

In 2019/20, the Council paid £18.48 million to the Teachers' Pensions Agency (TPA) in respect of teachers' retirement benefits, at 16.48% of pensionable pay from 1st April 2019 to 31st August 2019 and 23.68% of pensionable pay from 1st September 2019 to 31st March 2020. The figures for 2018/19 were £14.72 million at 16.48% of pensionable pay. There were no contributions remaining payable at year-end.

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

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

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

32. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in several post employment schemes:

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

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

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

In 2017/18 the Council made an up-front payment of £10 million to the Local Government Pension Scheme towards the deficit contributions relating to 2018/19 and 2019/20. This was made following actuarial advice and discounted cashflow calculations indicated that the rate of return on this investment was beneficial and represented value for money for the Council.

Transactions Relating to Post-employment Benefits

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

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000
Cost of Services:				
Service Cost Comprising:				
Current service cost	63,249	65,164	4,500	4,400
Past service costs	3,712	128	8,900	-1,300
Losses / Gains (-) on settlements	-1,377	-3,356	-	-
Financing and Investment Income and Expenditure				
Net interest on the defined pension liability	13,225	15,055	6,700	6,000
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	78,809	76,991	20,100	9,100

Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount charged in the net interest expense)	24,839	-67,624	-	-
Actuarial gains and losses arising on changes in demographic assumptions	-	57,337	17,900	7,700
Actuarial gains and losses arising on changes in financial assumptions	-123,349	139,372	-17,300	20,900
Other experience	-1,569	44,932	7,100	-1,600
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-100,079	174,017	7,700	27,000

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'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	-47,046	-41,084	-7,900	3,500
	-47,046	-41,084	-7,900	3,500

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

Employers' contributions payable for unfunded teachers scheme & LGPS benefits (discretionary)	34,493	37,593	5,300	6,400
Employers' contributions payable to scheme for unfunded LGPS benefits (Discretionary)	3,970	4,314	-	-
Total employers contributions	38,463	41,907	5,300	6,400
Firefighters pension and lump sum benefit payments			7,048	7,486

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Present value of the defined benefit obligation	1,744,254	1,555,155	250,000	225,500
Fair value of plan assets	-1,127,180	-1,077,014	-	-
Other movements in the liability (asset)	-	-	-	-
Net liability arising from defined benefit obligation	617,074	478,141	250,000	225,500

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

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Opening fair value of scheme assets	1,075,284	1,127,180		
Interest Income	29,002	26,926	-	-
Remeasurement Gain / Loss (-):			-	-
The return on plan assets, excluding the amount included in the net interest expense	24,839	-67,624	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	38,463	41,907	-	-
Contributions from employees into the scheme	8,084	8,673	5,500	6,600
Benefits paid	-41,724	-46,875	1,100	1,000
Benefits paid for unfunded LGPS benefits (Discretionary)	-3,970	-4,314	-6,600	-7,600
Assets distributed on settlement	-2,798	-8,859	-	-
Closing fair value of scheme assets	1,127,180	1,077,014	-	-

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Firefighters' Pension Scheme	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Opening balance at 1 st April	-1,551,933	-1,744,254	-243,100	-250,000
Current service cost	-63,249	-65,164	-13,400	-4,400
Interest cost	-42,227	-41,981	-6,700	-6,000
Contributions from scheme participants	-8,084	-8,673	-1,100	-1,000
Remeasurement Losses / Gains (-):				
Actuarial gains/losses arising from changes in demographic assumptions	-	57,337	17,900	7,700
Actuarial gains/losses arising from changes in financial assumptions	-123,349	139,372	-17,300	20,900
Other experience	-1,569	44,932	7,100	-1,600
Past service costs (Including curtailments)	-3,712	-128	-	1,300
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	41,724	46,875	6,600	7,600
Benefits paid for unfunded teachers scheme & LGPS benefits (Discretionary)	3,970	4,314	-	-
Liabilities extinguished on settlements, where relevant	4,175	12,215	-	-
Closing balance at 31st March	-1,744,254	-1,555,155	-250,000	-225,500

Local Government Pension Scheme assets comprised:

	2018/19			2019/20		
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	TOTAL £'000	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	TOTAL £'000
Cash and cash equivalents	20,746	-	20,746	12,435	-	12,435
Equity Instruments:						
By Industry Type (a)						
Consumer	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-
Energy and utilities	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-
Health and care	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total equity (a)	-	-	-	-	-	-
Bonds by Sector:						
Corporate (investment grade)	115,151	-	115,151	119,660	-	119,660
Corporate (non-investment grade)	4,798	-	4,798	2,573	-	2,573
UK Government	35,484	-	35,484	19,748	-	19,748
Other	-	-	-	2,976	-	2,976
Sub-total bonds	155,433	-	155,433	144,957	-	144,957
Real Estate:						
UK Property	71,480	23,988	95,468	59,742	19,099	78,841
Overseas Property	-	6,965	6,965	-	5,550	5,550
Sub-total real estate	71,480	30,953	102,433	59,742	24,649	84,391
Private equity:						
All	-	2,488	2,488	-	3,552	3,552
Investment Funds and Unit Trusts:						
Equities	67,979	633,302	701,281	-	684,036	684,036
Bonds	90,092	-	90,092	85,088	-	85,088
Infrastructure	-	-	-	-	2,167	2,167
Other	-	54,860	54,860	-	60,046	60,046
Sub-total investments funds and Unit Trusts	158,071	688,162	846,233	85,088	746,249	831,337
Derivatives:						
Forward foreign exchange contracts	-266	-	-266	231	-	231
Other	113	-	113	111	-	111
Sub-total derivatives	-153	-	-153	342	-	342
Total Assets	405,577	721,603	1,127,180	302,564	774,450	1,077,014

Fair Value of Scheme

	2018/19 £'000	2019/20 £'000
Equity Instruments by Company size:-:		
FTSE 100	-	-
FTSE 250	-	-
Pooled UK Smaller Companies	-	-
Sub-total equity instruments	-	-

Basis for Estimating Assets and Liabilities

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

	Local Government Pension Scheme		Unfunded liabilities: Firefighters' Pension Schemes	
	2018/19	2019/20	2018/19	2019/20
Mortality assumptions:				
Longevity (yrs) at 65 (60 for Fire) for current pensioners:				
Men	22.4	21.7	27.3	26.4
Women	24.6	23.9	29.4	28.5
Longevity (yrs) at 65 (60 for Fire) for future pensioners:				
(Figures assume members aged 45 as at 31.03.13 for the LGPS and as at 31.03.14 for Fire)				
Men	24.0	22.4	28.4	27.5
Women	26.4	25.3	30.6	29.7
Rate of Inflation	3.5%	2.8%	3.5%	2.8%
Rate of increase in salaries	2.8%	2.2%	3.5%	3.5%
Rate of increase in pensions **	2.5%	1.9%	2.5%	1.9%
Rate for discounting scheme liabilities #	2.4%	2.3%	2.4%	2.3%

** Pension increases are assumed to be 0.9% p.a. less than market derived RPI.

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

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

Sensitivity Analysis

Change in assumptions at 31 March 2020	Approximate Increase %	Approximate monetary amount £'000
-----------------------------------------------	------------------------------	--------------------------------------------

Local Government Pension Scheme - Increase to Employer Liability

0.5% decrease in Real Discount Rate	9%	138,875
1 year increase in member life expectancy	3%	45,096
0.5% increase in the Salary Increase Rate	1%	11,668
0.5% increase in the Pension Increase Rate (CPI)	8%	126,218

Fire Fighters Pension Scheme - Increase to Employer Liability

0.5% decrease in Real Discount Rate	9%	20,619
1 year increase in member life expectancy	3%	6,755
0.5% increase in the Salary Increase Rate	<1%	1,953
0.5% increase in the Pension Increase Rate (CPI)	7%	17,007

Fire Fighters Pension Scheme - Increase to Projected Current Service Cost

0.1% decrease in real Discount Rate	21%	683
1 year increase in member life expectancy	3%	100
0.5% increase in the Salary Increase Rate	<1%	6
0.5% increase in the Pension Increase Rate (CPI)	11%	349

Impact on the Authority's Cash Flows

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

The Council expects to pay £47.4m in contributions to the LGPS scheme and £2.6m for the Fire scheme in 2020/21.

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

		Duration 2018/19	Duration 2019/20
LGPS	Duration as at previous formal valuation - 31.03.19	17.1	19.0
Fire	Duration effective as at previous formal valuation - 31.03.16	17.1	17.3
Fire - Injury	Duration effective as at previous formal valuation - 31.03.16	20.7	20.8

33. Contingent Liabilities

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

Pension Guarantees

The Council has guaranteed to cover the liabilities associated with the pensions of ex-employees following the transfers of council services to external bodies. These arrangements are monitored and assessed to ensure that any provision for possible liabilities are made. Following this assessment it is not considered to be necessary to include any costs associated with these guarantees within the 2019/20 accounts.

Pyke Quarry and Oak Quarry

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

34. Nature and extent of risks arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

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

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

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

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

Credit Risk

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

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

The credit quality of £1.4m of the Council's investments is enhanced by collateral held in the form of covered bonds and covered Floating Rate Notes. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

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

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity. This is based on principal sums outstanding at 31 March and excludes interest accruals:

	31/03/2019		31/03/2020	
	Short Term £m	Long Term £m	Short Term £m	Long Term £m
Banks and Building Societies Rated A- or Higher	67.1	0.0	85.3	0.0
Unrated Local Authorities	104.0	46.0	98.0	33.3
Unrated Housing Associations	5.0	5.0	10.0	0.0
Covered Instruments	4.9	1.4	1.4	0.0
Total	181.0	52.4	194.7	33.3
Credit risk not applicable *:				
Money Market Funds	20.2		21.7	
Pooled Funds	35.0	30.0	45.0	30.0
Total	236.2	82.4	261.4	63.3

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. A delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2020, £0.082 million (2019: £0.025 million) of loss allowances related to treasury investments. No adjustments have been made for this loss allowance as it is immaterial.

The Council's debtors, including any payments in advance made by the Council totalled £57.446 million as at 31st March 2020, 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 2020 these debts totalled £7.589 million.

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

	2018/19 £'000	2019/20 £'000
Less than a month	-	-
One to three months	1,186	1,488
Three to six months	1,167	1,608
More than six months	3,394	4,493
	5,747	7,589

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 current maturity for both assets and liabilities is as follows:

	2018/19		2019/20	
	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000
Less than one year	43,716	232,899	63,773	253,118
Between one and two years	7,963	54,000	15,145	66,059
Between two and five years	30,045	36,430	21,400	-
Between five and ten years	21,500	-	18,000	-
Between ten and twenty years	35,000	-	38,000	-
Between twenty and thirty years	64,328	-	64,228	-
Between thirty and forty years	77,900	-	72,000	-
Finance Lease Liability	19,138	-	98,408	-
	299,590	323,329	390,954	319,177

The Council has £35.05 million (2018/19: £35.05 million) of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain, however as all these loans are under a six monthly call they are included in the "less than one year" category.

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

Market Risk

Interest Rate Risk

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

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

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

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

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

According to this assessment strategy, at 31st March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	901
Impact on Surplus or Deficit on the Provision of Services	901

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

Price Risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £30m. A 5% fall in commercial property prices at 31st March 2020 would result in a £1.5 million (2019: £1.5 million) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £15 million. A 5% fall in share prices at 31st March 2020 would result in a £0.75 million (2019: £0.75 million) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

Foreign Exchange Risk

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

35. Trust Funds

At 31st March 2020 the Council administered 4 trust funds on behalf of the trustees. These funds do not represent assets of the Council and they have not been included in the Balance Sheet.

	Balance at 31st March 2019 £	Income £	Expenditure £	Balance at 31 st March 2020 £
Libraries				
2 trusts providing books for libraries	2,798	188	-182	2,804
Gloucestershire Heritage Trust Ltd				
Preserves and renovates specific buildings and areas which are of historic interest	7,004	-	-	7,004
Gloucestershire War Relief				
The awarding of grants relating to service in the Great War	411	-	-	411
Total	10,213	188	-182	10,219

In addition to the above Trust Funds, the Council is holding £16,219 in cash relating to Criminal Injury awards. This is also included in the creditors balance on the Balance Sheet.

36. Insurance

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

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

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

37. Deferred Liabilities

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

Deferred Liabilities	2018/19	2019/20
	£'000	£'000
PFI Joint Fire Training Centre- Amounts held with the inqualisation fund on behalf of Avon Fire Authority and Devon & Somerset Fire Authority	2,310	2,184
Energy from Waste Contract- Deferred third party income		62,116
	-	
Total	2,310	64,300

38. Collection Fund Adjustment Account

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

The following statement outlines the balances held as at 31st March 2019:

	Arrears after Impairment Allowance for Doubtful/Bad Debt (Debtors) £'000	Overpayments and Prepayments (Creditors) £'000	Collection Fund Surplus (-) /Deficit £'000	Cash (shown as Debtor or Creditor) £'000
Council Tax Collection	8,488	-4,121	-4,533	166
Non-Domestic Rates Collection	1,495	-16,717	13,906	1,316
Total	9,983	-20,838	9,373	1,482

The following statement outlines the balances held as at 31st March 2020:

	Arrears after Impairment Allowance for Doubtful/Bad Debt (Debtors) £'000	Overpayments and Prepayments (Creditors) £'000	Collection Fund Surplus (-) /Deficit £'000	Cash (shown as Debtor or Creditor) £'000
Council Tax Collection	9,798	-4,641	-2,174	-2,983
Non-Domestic Rates Collection	567	-2,675	2,378	-270
Total	10,365	-7,316	204	-3,253

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

The reported gain/loss reported on the Comprehensive Income and Expenditure Statement includes the loss of £20.552 million following the transfer of four schools to academy status during 2019/20. Six schools converted to Academy status in 2018/19 totalling £9.829 million.

40. Prior Period Adjustment

Change in Operating Structure

During 2019/20 the Council's operating structure changed. Business Support Services and Technical & Corporate were both renamed as Corporate Resources and Technical & Countywide respectively. This did not change any figures previously reported. In addition a number of service areas previously reported under Community & Infrastructure were transferred to a new service area called Community Safety. This included the Gloucestershire Fire & Rescue Service, Coroners and Trading Standards Services. The Community & Infrastructure Service area was also renamed as Economy, Environment and Infrastructure. As a result of this restructure the reported comparative figures for the 2018/19 Statement of Accounts have been restated as follows:-

Comprehensive Income and Expenditure Statement	2018/19 Gross Expenditure Previously Reported £'000	2018/19 Gross Expenditure Restated £'000	2018/19 Income Previously Reported £'000	2018/19 Income Restated £'000	2018/19 Net Expenditure Previously Reported £'000	2018/19 Net Expenditure Restated £'000
Community & Infrastructure	144,058	-	-24,289	-	119,769	-
Economy, Environment & Infrastructure	-	110,669	-	-18,253	-	92,416
Community Safety	-	33,389	-	-6,036	-	27,353
	144,058	144,058	-24,289	-24,289	119,769	119,769

Economy, Environment & Infrastructure

	As Reported for Resource Management £'000	Adjustments to Arrive at the New Amount Chargeable to the General Fund Balance £'000	Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Previously Reported:					
Community & Infrastructure	88,080	-7,912	80,168	39,601	119,769
Restated:					
Economy, Environment & Infrastructure	68,172	-6,199	61,973	22,468	84,441
Community Safety	19,908	-1,713	18,195	17,133	35,328
	88,080	-7,912	80,168	39,601	119,769

Adjustments from the General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	As Reported for Resource Management	Interest Receivable Reported at Portfolio Level	Flood Defence Levies Reported at Portfolio Level	Interest Payable Reported at Portfolio Level	Removal of Central Support Recharges and Adjustment for Public Health Grant Funding	Net Expenditure Charged to the General Fund Balance
	£'000	£'000	£'000	£'000	£'000	£'000
Previously Reported:						
Community & Infrastructure	88,080	-	-	-2,208	-5,704	80,168
Restated:						
Economy, Environment & Infrastructure	68,172	-	-	-	-3,991	64,181
Community Safety	19,908	-	-	-2,208	-1,713	15,987
	88,080	-	-	-2,208	-5,704	80,168

	Net Expenditure Charged to the General Fund Balance	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Adjustments Between Funding and Accounting Basis	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Previously Reported:						
Community & Infrastructure	80,168	28,844	16,032	-5,275	39,601	31,689
Restated:						
Economy, Environment & Infrastructure	64,181	30,500	2,519	-10,551	22,468	18,477
Community Safety	15,987	-1,656	13,513	5,276	17,133	13,212
	80,168	28,844	16,032	-5,275	39,601	31,689

Amendment to the Officer Remuneration Note 20

The 2018/19 figures have been restated to correct an arithmetic error in the accumulative totals shown against specific officers, and amended to include the Director of Education.

41. Revenue from Contracts with Service Recipients

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

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

	2018/19 £'000	2019/20 £'000
Client Contributions	-26,457	-28,095
Deferred Payments	-262	-2,018
Total Income	-26,719	-30,113

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

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

	2018/19 £'000	2019/20 £'000
Client Contributions	721	2,074
Deferred Payments	5,122	5,802
Total Income	5,843	7,876

42. Events after the Reporting Period

Since December 2019, the spread of Covid-19 have severely impacted world economies markets and society as a whole.

Measures to prevent the spread of the virus, travel bans, quarantines, social distancing and closure of non essential services and business has resulted in significant disruption to both world and national economies. Global stock markets have therefore been impacted upon and remain volatile as a result of the on going restrictions and uncertainties.

As a result the Council faces unprecedented challenges in responding to the pandemic in ensuring that essential services continue to be provided and that the needs of those in need are met. Although some additional emergency funding has been received from Government, these increased demands have resulted in considerable additional expenditure, and together with the reduction in budgeted income from fees and charges for services such as parking and registration together with investment income, the Council face a challenge in balancing the 2020/21 budget.

It is not currently possible to reliably estimate either the duration or the severity of the impact as too many uncertainties remain.

The Council has therefore determined that these events are non-adjusting subsequent events. As a result the reported statements prepared for year ending 31st March 2020 have not been adjusted to reflect any subsequent assessment for Covid-19.

43. Statement of Accounting Policies

Introduction

Accounting policies are the principles, bases, conventions, rules and practices applied by the Council. They specify how the financial effects of transactions and other events are reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. All of the accounting policies adopted, that are material in the context of the Council's 2019/20 financial statements, are described below.

General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end on 31st March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom 2019/20 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) (referred to as "the Code" in the following notes) and the Accounts and Audit Regulations 2015. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. These accounts are prepared on a going concern basis.

Accruals of Income and Expenditure

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

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

Basis for Redemption of Debt

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

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Contingent Assets

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

Contingent Liabilities

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

Council Tax and Non Domestic Rates (NDR)

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

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

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

Events after the Balance Sheet Date

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

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

Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

Local Government Pension Scheme

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

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

- The liabilities of the LGPS attributable to the Council are included in the balance sheet on an actuarial basis, using the projected unit method, ie: an assessment of future payments that will be made in relation to retirement benefits earned to date by employees, based on assumption about mortality rates, employee turnover rates, etc. and projected earnings of employees.
- Liabilities are discounted to their value at current prices, using a discount rate that is based upon indicative rate of return on a high rated corporate bond equivalent to the Scheme's liabilities.
- The Assets of the LGPS attributable to the Council are included in the balance sheet at their fair value.
- The Change in net pensions liability is analysed into the following components:-
 - Service Costs comprising:-
 - Current Service Cost – the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years is debited to the Surplus or Deficit on the provision of Services in the Comprehensive Income and Expenditure Statement.

- Net Interest on the net defined benefit liability (asset), i.e. net increase expense for the Council – the change during the period in the net defined benefit liability (asset) arises from the passage of the time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:-
 - The return on plan assets – excluding amounts included in the net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Contributions paid to the Gloucestershire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities not accounted for as an expense.

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

Discretionary Benefits

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

Firefighter's Pension Schemes

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

Teachers Pension Scheme

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

NHS Pension Scheme

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

Exceptional Items

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

Financial Instruments

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

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

Foreign Currency Translation

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

Government Grants and Contributions

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

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

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

Intangible Assets

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

Inventories and Work in Progress

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

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

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

Jointly Controlled Operations and Jointly Controlled Assets

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

Better Care Fund & Pooled Budget Arrangements

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

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

Leases

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

Finance Leases - The Council as Lessee

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

Lease payments are apportioned between:

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

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

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

Finance Leases - The Council as Lessor

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the start of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Operating Leases - The Council as Lessee

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

Operating Leases - The Council as Lessor

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

Property, Plant and Equipment (PPE)

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

Recognition

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

Measurement

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

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

	Value (post revaluation) & Date of Last Revaluation	Value (NBV @ 31/03/19) & Date of next Revaluation
All Maintained Schools	£698m 2019/20	£698m 2021/22
All Non-School Land & Buildings	£309m 2019/20	£310m 2020/21

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

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

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

Impairment

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

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

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

Depreciation and Amortisation

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

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

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

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

Depreciation is calculated on the following basis:

- Assets which are bought from a third party are depreciated for a full year in the year of purchase. All other assets created as a result of capital expenditure during the year are depreciated for a full year on the following basis:-
- Land is not depreciated.
- Heritage Assets are not depreciated.
- Assets under construction, being capital works in progress where the uncompleted asset does not have a material benefit to the Council, are not depreciated.

- Where an item of PPE has major components whose cost is significant in relation to the total cost of the item (de-minimus of £1m per asset), the components are depreciated separately. The Council has identified four component groups that are used as a standard template to carry out valuations as shown below:
 - Land – No depreciation.
 - Host (Frame, floors, roof, windows, walls and doors), depreciate over 41 years, or the actual life of the asset.
 - Services (Internal water installations, sanitary ware, heating, ventilation, electrical, lifts, sprinklers, communications and Photovoltaic panels), depreciate over 22 years, unless the host asset's life is less than 41 years, then depreciate over 53.7% of the life of the host.
 - Externals (Drainage, roads, pavements, fences and external utility pipes), depreciate over 39 years, unless the host asset's life is less than 41 years, then depreciate over 95.2% of the life of the host asset.
- Revaluation gains are depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.
- Surplus Assets, held for disposal (10-99 years) are not depreciated.

Accounting for Schools

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

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

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

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

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

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

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

Academies and Free Schools

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

No revenue or capital amounts are therefore recognised in the Councils accounts for these entities.

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

Maintained Schools

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

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

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

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

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

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

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

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

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

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

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

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

2018-19 Number of Schools	Maintained Schools included in the Fixed Asset Register	2019-20 Number of Schools
4	Alternative Provision Schools	4
88	Community Mainstream Schools	88
8	Community Special Schools	6
19	Foundation Schools	19
39	Voluntary Aided Schools	38
50	Voluntary Controlled Schools	49
208	Total on Balance Sheet	204

2018-19 Number of Schools	Academies and Free Schools not included in the Fixed Asset Register	2019-20 Number of Schools
19	Academies Sponsor Led	20
68	Academy Converters	69
1	University Technical College	1
-	Academy Special Converters	1
3	Academy Special Schools Sponsor Led	4
1	Free Alternative Provision Schools	1
2	Free Schools	2
94	Total off Balance Sheet	98

302	Total Maintained Schools, Academies and Free Schools	302
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Private Finance Initiative (PFI) scheme

PFI contracts are agreements to receive services, where responsibility for making available the Property Plant & Equipment (PPE) needed to provide the services passes to the PFI contractor. Where the Council is deemed to control the services in accordance with IFRIC 12 ownership of the PPE will pass to the Council at the end of the contract. The Council carries the PPE used under the contracts on the Balance Sheet.

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

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received, debited to the relevant service within the Comprehensive Income & Expenditure Statement
- b) Payment for the finance cost, an interest charge on the outstanding balance sheet liability, debited to the financing and investment income and expenditure line in the Comprehensive Income & Expenditure Statement

- c) Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- d) payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease) and,
- e) lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

Provisions

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits. These reserves do not represent usable resources to the Council, and are explained further in the appropriate policies and notes to the accounts.

Revenue Expenditure Funded from Capital under Statute

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

Service Concessions

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

VAT

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

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

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

- **IFRS 16 Leases**

CIPFA/LASAAC has now deferred the implementation of IFRS 16 for Local Government until 1st April 2021. The accounting standard requires that where Local Authorities have lease arrangements where they are the lessee, to recognise these on their balance sheet as a right of use asset with corresponding lease liabilities. Exemption does exist for leases of small value and of short term duration.

The Council are undertaking a review to assess this further. It is therefore not currently possible to quantify the likely impact of this change in accounting standards.

- **IFRS 19 Employee Benefits**

This change in accounting standard will require the re-measurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, it is not currently possible to accurately estimate any potential impact of this amendment.

Critical Judgements in applying Accounting Policies

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

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

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

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

- Useful life and valuations of properties, which are estimated by qualified valuers.
- Fair values of financial assets and liabilities, which are estimated by our treasury advisors.
- Provisions, which are estimated using latest available information.
- Bad debt levels, which are estimated using past trends and experience.
- The liability for future pension payments, which are estimated by qualified actuaries.

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

- **Property, Plant and Equipment – (Valuations undertaken at 31st March 2020 – Covid-19 implications)**

Non current asset valuations are based on market conditions and are reviewed annually to ensure that they are materially correct when reported within the annual statement of accounts. The outbreak of Covid-19 has had a significant impact on

both global economies and financial markets. As a result of these unprecedented circumstances less reliance on previous market evidence can be made when assessing valuations at 31st March 2020. As a result valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Less certainty therefore exists in the accuracy of the valuations reported. It is not currently possible to accurately predict the full impact of the Covid-19 pandemic as there is insufficient evidence available at the current time. Therefore valuations reported have been based on market conditions prior to this crisis on the assumption normal market conditions will be restored. The total net book value of assets subject to revaluation total £1.00 billion so a 5% variation in market values would equate to £50.00 million.

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

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances. A 20% increase in the annual depreciation charge for assets would currently equate to £3.80 million.

- **Pensions**

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

A material uncertainty has been identified on the valuations of a number of pooled property investment funds held by Gloucestershire Pension Fund for 2019-20 as a result of the Covid-19 pandemic. These assets are valued within the Pension Fund at £183.1 million. As the Council is the largest employer within the fund (45%), this would also present a material uncertainty on the valuation of the Council's pension assets and liabilities as at 31st March 2020.

Gloucestershire Pension Fund

Fund Account for the year ended 31st March 2020

2018/19		2019/20	Note
£'000		£'000	
Contributions			
-93,016	employer contributions	-84,158	N20
-18,114	members' contributions	-18,962	N20
-111,130		-103,120	N7
Transfers in from other pension funds			
-6,736	individual transfers from other schemes or funds	-12,575	
-	group transfers from other schemes or funds	-	
-6,736		-12,575	
Other income			
-132	recoveries for services provided	-136	N22
Benefits			
69,453	pensions	73,026	N32
12,203	commutation of pensions and lump sum retirement benefits	13,930	
1,804	lump sum death benefits	1,334	
83,460		88,290	N7
Payments to and on account of leavers			
336	refunds to members leaving scheme or fund	373	
36	payments for members joining state scheme or fund	-1	
4,992	individual transfers to other schemes or funds	7,929	
-	group transfers to other schemes or funds	-	
5,364		8,301	
-29,174	Net (additions) / withdrawals from dealings with members	-19,240	
8,442	Management Expenses	10,028	N22
-20,732	Net (additions) / withdrawals including fund management expenses	-9,212	
Returns on investments			
-27,684	Investment income	-25,088	N15
3	Taxes on income	46	N3 & N15
-90,864	Profit(-) and losses on disposal of investments and changes in market value of investments	168,409	N4
-118,545	Net returns on investments	143,367	
-139,277	NET INCREASE (-) / DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR	134,155	
2,239,441	Opening net assets of the scheme	2,378,718	
2,378,718	Closing net assets of the scheme	2,244,563	

Gloucestershire Pension Fund

Net Assets Statement as at 31st March 2020

2018/19		2019/20	Note
£'000		£'000	
Investment assets			
323,927	Bonds	331,206	
1,829,558	Pooled investment vehicles	1,681,377	N10
192,478	Property unit trusts	192,062	N10
1,297	Derivative contracts	2,904	N2 & N17
4,972	Other investments - Venture Capital/Private Equity	4,491	
11,753	Cash held on behalf of the investment managers	12,328	N27
4,450	Other investment balances	4,352	
2,368,435		2,228,720	N14
Long term investment assets			
395	Brunel Pension Partnership	427	N9
395		427	
Investment liabilities			
-1,429	Derivative contracts	-4,108	N2 & N17
-1,412	Other investment balances	-946	
-2,841		-5,054	N14
2,365,989	Total net investments	2,224,093	
Long term assets			
440	Contributions due from employers	315	
618	Other long term assets (debtors)	-	
1,058		315	N14 & N24
Current assets			
4,708	Contributions due from employers	4,808	
410	Other current assets	471	
618	Money due re. transfer of staff to another pension scheme	618	
256	Payments in advance	250	
8,006	Cash balances	17,539	N2, N23, N27
13,998		23,686	N14 & N24
Current liabilities			
-26	Unpaid benefits	-18	
-2,301	Other current liabilities	-3,513	
-2,327		-3,531	N14 & N25
2,378,718	Net assets of the scheme available to fund benefits at the reporting period end	2,244,563	N4, N5, N14 & N18

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

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

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

Gloucestershire Pension Fund

Notes to Pension Fund Accounts

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 Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016 (as amended)

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

Membership Breakdown

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Fire fighters, police and teachers have their own separate nationally-administered schemes.

Membership details are set out below:

	31st March 2019	31st March 2020
Number of employers	205	204
Number of employees in the scheme		
County Council	10,241	10,252
Other employers	8,728	8,869
	<u>18,969</u>	<u>19,121</u>
Number of pensioners		
County Council	9,476	9,812
Other employers	6,582	6,795
	<u>16,058</u>	<u>16,607</u>
Deferred pensioners		
County Council	11,996	11,743
Other employers	8,421	8,430
	<u>20,417</u>	<u>20,173</u>
Total number of members in pension scheme	<u>55,444</u>	<u>55,901</u>

In addition there were 4,516 (4,690 2018/19) undecided or unprocessed leavers.

Undecided leavers are those members who are no longer accruing service and to whom a refund of contributions or transfer out may be due.

Unprocessed leavers are those members which represent cases where we are aware that a member has left, but that case has not yet been processed.

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2020. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31st March 2019. During 2019/20 employer contribution rates ranged from 14.9% to 40.9% of pensionable pay.

Benefits

Prior to 1st April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1st April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website.

N2. Summary of significant accounting policies

Basis of preparation

The Statement of Accounts summarises the Funds' transactions for the 2019/20 financial year and its position at year end as at 31st March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts summarise the transactions of the Fund and reports on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial value of promised retirement benefits, valued on an International Accounting Standard (IAS19) basis, is disclosed at Note 26 of these accounts. The accounts are prepared on a going concern basis.

Critical judgements in applying accounting policies

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note N26.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end-date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. Income and expenditure have been accounted for on an accruals basis.

The items within the Financial Statements as at 31st March 2020, for which there is a risk of material adjustment in the forthcoming year, are highlighted below:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 26)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied	<p>The effects on the net pension liability of changes in the individual assumptions can be measured as follows:</p> <ul style="list-style-type: none"> - A 0.5% decrease in the real discount rate would increase the liability by £304m - A 0.5% increase in the pension increase rate would increase the liability by £273m - A 0.5% increase in the salary increase rate would increase the liability by £28m

Pooled property investments	<p>The valuation of a number of pooled property funds include a material valuation uncertainty clause given the unknown future impact that COVID-19 might have on the real estate market.</p>	<p>The total value of these pooled property funds in the financial statements as at 31st March 2020 is £183.1m. There is a risk that these investments may be under or overstated in the accounts. A change in market price of 10% would equate to a potential movement of £18.3m.</p>
Private Equity, Infrastructure and Private Debt	<p>Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p> <p>Due to the normal delay in receiving quarterly valuation statements for the underlying funds, accounts production was delayed so as to incorporate March end valuations wherever possible. Investments in Private Equity and Infrastructure funds totalling £8.8m have a valuation date of December 2019.</p>	<p>The total value of Private equity, Infrastructure and Private Debt investments in the financial statements as at 31st March 2020 are £76.735m. There is a risk that these investments may be under or overstated in the accounts, see Note 28.</p> <p>A change in market price of those holdings valued as at the end of December 2019 of 10% would equate to a potential movement of £0.9m.</p>

Contribution Income

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

Management expenses

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

Investment management expenses

Investment Management Expenses comprise of expenses which are incurred in relation to the management of pension fund assets. Where an investment manager's fee has not been received by the reporting period end date, an estimate based upon the market value of the mandate at the end of the reporting period has been used. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note N22 and grossed up to increase the change in value of investments.

Federated Hermes deducts its fees from a combination of assets held and income distributions and is included within Investment Management Expenses. Technology Venture Partners (TVP) and Yorkshire Fund Managers (YFM) deduct their fees from the value of the assets under their management. Fees for TVP and YFM have not been included as they are the legal responsibility of the managers and not the Fund. Management costs from Arcmont are deducted from distributions. Brunel Pension Partnership (BPP) passive global equity pooled funds encash units to cover their fees and these have also been included within Investment Management Expenses.

Acquisition and transaction costs of investments

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

Administration expenses

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

Oversight & governance expenses

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

Investment Income

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

Cash and cash equivalents

Cash comprises cash in hand (bank) and demand deposits (money market funds) which also includes amounts held by the Fund's custodian on behalf of its investment managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Cash balances held in accordance with the County Councils' Treasury Management Strategy and those held with the Funds' Custodian State Street Global Services, on behalf of investment managers, are in instant access accounts.

The Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards.

As permitted under the Code, the Fund has included a note disclosing the actuarial present value of retirement benefits by way of a note to the net asset statement in Note N26.

Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

Valuation of assets

The SORP requires securities to be valued on a Fair Value Basis therefore assets and liabilities, where there is an active and readily available market price, are valued at the bid price. Where assets do not actively trade through established exchange mechanisms, a price is obtained from the manager of the investment asset through their quarterly reports. Further details of their approach to establishing fair value can be found within Note N28, Basis of Valuation table. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates prevailing as at 31st March 2020. 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 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 mainly in accordance with the Royal Institute of Chartered Surveyors valuation standards. Private Equity is valued using the latest financial statements published by the respective fund managers and in accordance with the International Private Equity and Venture Capital Guidelines. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for movements to the year end.

Financial assets are included in the financial statements on a fair value basis at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from the changes in the fair value of the asset are recognised in the Fund Account.

The values of investment as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association).

Gloucestershire Pension Fund and the nine other shareholders each hold a 10% share in Brunel Pension Partnership Ltd (company number 10429110). As such, no fund is deemed to have a significant influence and this long term investment is accounted for at fair value. The asset was initially measured at cost and is subsequently revalued for any impairment.

The accounts for the year ended 31st March 2020 use the valuations for the Fund's assets based on the figures provided by the Fund's custodian, State Street.

Derivatives

Derivative contracts are valued at fair value and are determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Derivative contract assets, those with a positive value, are valued at bid price and derivative contract liabilities, those with a negative value, are valued at the offer price. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts. The fair value of the forward currency contracts are based on market forward exchange rates at the year end date.

N3. Taxation

The Fund is 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

2019/20

Asset Class	Market Value at 31 st March 2019 £'000	Purchases during the year at cost and derivative payments £'000	Sales proceeds during the year and derivative receipts £'000	Change in market value during the year £'000	Market Value at 31 st March 2020 £'000
Bonds	323,927	91,304	-78,310	-5,715	331,206
Equities	-	-	-	-	-
Pooled Investments	1,829,558	858,584	-849,694	-157,071	1,681,377
Property Unit Trusts	192,478	3,821	-2,224	-2,013	192,062
Private Equity	4,972	-	-44	-437	4,491
	2,350,935	953,709	-930,272	-165,236	2,209,136
Derivative contracts:					
Futures	-542	5,058	-3,474	-627	415
Forward currency contracts	410	-	-	-2,029	-1,619
	-132	5,058	-3,474	-2,656	-1,204
Long term investment assets					
Brunel Pension Partnership	395	-	-	32	427
	395	-	-	32	427
Net Investment Assets	2,351,198	958,767	-933,746	-167,860	2,208,359

In addition to the investments there was £36,204k (£27,520k 2018/19) in cash, cash equivalents and accruals. Cash movements, currency adjustments and other end of year settlements totalled (-£550k) (£583k 2018/19). As a result the total profit (-) and losses on disposal of investments and changes in market value of investments was £168.4m (-£90.9m 2018/19).

2018/19

Asset Class	Market Value at 31 st March 2018 £'000	Purchases during the year at cost and derivative payments £'000	Sales proceeds during the year and derivative receipts £'000	Change in market value during the year £'000	Market Value at 31 st March 2019 £'000
Bonds	288,855	263,080	-229,080	1,072	323,927
Equities	380,754	43,721	-404,809	-19,666	-
Pooled Investments	1,331,728	1,622,774	-1,225,416	100,472	1,829,558
Property Unit Trusts	176,138	7,192	-	9,148	192,478
Private Equity	5,624	36	-2,198	1,510	4,972
	2,183,099	1,936,803	-1,861,503	92,536	2,350,935
Derivative contracts:					
Futures	203	2,945	-1,657	-2,033	-542
Forward currency contracts	187	-	-	223	410
	390	2,945	-1,657	-1,810	-132
Long term investment assets					
Brunel Pension Partnership	840	-	-	-445	395
	840	-	-	-445	395
Net Investment Assets	2,184,329	1,939,748	-1,863,160	90,281	2,351,198

In addition to the investments there was £27,520k (£55,112k 2017/18) in cash, cash equivalents and accruals. Cash movements, currency adjustments and other end of year settlements totalled £583k (£11,573k 2017/18). As a result the total profit (-) and losses on disposal of investments and changes in market value of investments was -£90.9m (-£74.3m 2017/18).

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

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

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

N5. Management of fund assets

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

	2018/19		2019/20	
	£'000	%	£'000	%
Investments managed by the Brunel Pension Partnership regional asset pool				
Legal & General Investment Management	521,215	21.9	477,178	21.3
Brunel Global High Alpha Fund	-	-	381,851	17.0
Brunel ACS UK Equity Fund	365,801	15.4	292,751	13.0
Brunel Emerging Equity Fund	-	-	120,663	5.4
Brunel Private Equity and Infrastructure Portfolio	2,329	0.1	12,691	0.6
	889,345	37.4	1,285,134	57.3
Investments managed outside of the Brunel Pension Partnership regional asset pool				
BlackRock Advisors (UK)	619,296	26.0	63,290	2.8
Arcmont Asset Management	22,252	0.9	30,752	1.4
CBRE Global Investment	61,678	2.6	62,383	2.8
Golub Capital Partners International	20,145	0.9	33,362	1.5
Hermes Investment Management Property Unit Trust	140,675	5.9	142,818	6.4
Aberdeen Standard Investments	79,360	3.3	79,715	3.5
Technology Venture Partners	3,629	0.2	3,733	0.2
Western Asset Management Company	527,664	22.2	521,508	23.2
Yorkshire Fund Managers (YFM)	1,342	0.1	757	0.0
	1,476,041	62.1	938,318	41.8
Total - External Managers	2,365,386	99.5	2,223,452	99.1
In-house cash and accruals	12,730	0.5	20,471	0.9
Cash instruments with Custodian	207	0.0	213	0.0
Brunel Pension Partnership (Shareholding)	395	0.0	427	0.0
	2,378,718	100.0	2,244,563	100.0

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

N6. Actuarial position of the Fund

- In line with the Local Government Pension Scheme Regulations, actuarial valuations of the Fund are required to be undertaken every three years, for the purpose of setting employer contribution rates for the forthcoming triennial period. The latest valuation took place as at 31st March 2019 and established the minimum contribution payments for the three years until 31st March 2023. The next valuation will take place as at March 2022.
- The estimate of the pension fund liability is subject to significant variations, based on changes to the underlying assumptions used - please see table at the bottom of the Note.
- The table below summarises the whole fund Primary and Secondary Contribution rates at the 2019 valuation. The 2016 valuation results of the Fund are shown for comparison.

	Last Valuation 31st March 2016		Last Valuation 31st March 2019	
Primary Rate (% of pay)	19.6%		20.9%	
Secondary Rate (£)	2017/18	32,487,000	2020/21	30,652,000
	2018/19	36,638,000	2021/22	26,850,000
	2019/20	40,905,000	2022/23	24,353,000

- Individual employers' rates will vary depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the Funding Strategy Statement on the Fund's website. The Actuary has made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1st April 2020 to 31st March 2023 in order to maintain the solvency of the Fund.
- The market value of the Fund's assets at the March 2019 triennial valuation date was £2,379m (£1,703m March 2016) and represented 102% (79.7% March 2016) of the Fund's accrued liabilities.
- The contribution rate has been calculated using the projected evolution of each employers' assets and benefit payments and the main actuarial assumptions used are as follows:

	Funding Basis	
	2016	2019
Rate of return on investments (Discount Rate)	4.0% pa	4.2% pa
Rate of general pay increases	2.4% pa	2.6% pa
Rate of increase to pensions in payment (in excess of guaranteed minimum pension)	2.1% pa	2.3% pa

- The full actuarial valuation reports for 2007, 2010, 2013, 2016 and 2019 are published on the Pension pages of the County Council's website
- See note N26 for details of the Actuarial Present Value of Promised Retirement Benefits.

N7. Analysis of contributions receivable and benefits payable

	2018/19		2019/20	
	Contributions receivable £'000	Benefits payable £'000	Contributions receivable £'000	Benefits payable £'000
Gloucestershire County Council <i>[Administering authority]</i>	42,619	44,342	46,486	46,656
Scheduled bodies (164 19/20) (162 18/19)* <i>[Bodies admitted by right]</i>	46,784	33,487	50,666	35,667
Admitted bodies (39 19/20) (42 18/19)* <i>[Bodies admitted by agreement]</i>	**21,727	5,631	5,968	5,967
	111,130	83,460	103,120	88,290

Scheduled bodies now include 97 (96 18/19) schools who have converted to academy status.

* These numbers relate to active employers with active members

** During 2018/19, two Admitted Body employers left the scheme and paid one-off exit payments, as calculated by the Fund actuary, resulting in an increase in contributions received in that year

N8. Investment Strategy Statement

The Fund's Investment Strategy Statement (ISS) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 can be found on the Fund's website www.gloucestershire.gov.uk/pensions/investments. It includes a statement on the Fund's approach to pooling its investment assets as required under the Regulations.

N9. Related party transactions

Gloucestershire County Council, as Administering Authority for the Fund, incurred the following costs in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund. All monies owing to and due from the Fund were paid or accrued for in the year.

	2018/19 £'000	2019/20 £'000
Administrative expenses	2,128	2,362

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

Of the County Council's key management personnel, some of the Executive Director Corporate Resources and Director of Finance remuneration costs were recharged to the Fund to reflect time spent supporting the Fund. These consisted of salary, fees and allowances of £11,209 (£10,820 2018/19) and employers' pension contributions of £3,464 (£3,235 2018/19).

The Executive Director and Director are members of the Fund as contributing Gloucestershire County Council employees. This does not impact on their role as Finance Director and S151 officer, which is clearly defined.

The Pensions Committee is the decision making body for the Fund and Gloucestershire County Council nominates 6 voting committee members.

Each member of the Pension Committee is required to declare their interests at each meeting.

Mr. P. Clark, the Scheme Member Representative, is a non-voting member of the Pension Committee. Mr. Clark is a contributing member of the Pension Fund and this does not impact on his Pension Committee role. Three members of the Pension Committee were also District Council members as at 31st March 2020 and these are detailed below:

Member	District Council
Cllr. D. Brown	Gloucester City Council
Cllr. N Cooper	Stroud District Council
Cllr. R. Theodoulou	Cotswold District Council

In addition to the roles outlined above, Cllr. R. Theodoulou is the corporate shareholder representative for Gloucestershire Pension Fund for Brunel Pension Partnership (BPP Ltd), and up to April 2019 was the corporate shareholder representation for Gloucestershire County Council for Ubico Limited. Cllr L. Stowe took over as corporate shareholder representative for Gloucestershire County Council for Ubico Limited from April 2019. Cllr. N.Cooper is a governor of Archway School. Ubico Limited and Archway School are employers in the Fund.

The Pension Board was created on the 1st April 2015. Two members of the Board are members of the Fund as contributing employees and another one is in receipt of pension benefits. This does not impact on their roles as members of the Pension Board given the nature of the Board's functions.

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

Brunel Pension Partnership Ltd (Company Number 10429110)

Brunel Pension Partnership Ltd. (BPP Ltd.) was formed on the 14th October 2016 and will oversee the investment of pension fund assets for Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire Funds.

Each of the ten local authorities, including Gloucestershire County Council own 10% of BPP Ltd. Pension Fund transactions with BPP Ltd. are as follows:

	2018/19 £'000	2019/20 £'000
Income	-	-
Expenditure	641	860
Debtors	-	-
Payments in Advance	256	250
	<u>897</u>	<u>1,110</u>

In addition to their role as Pension Committee member and Cotswold District Council councillor, Cllr. R Theodoulou sits on the Committee of Brunel Pension Partnership Ltd as Chair of the Brunel Oversight Board (BOB).

N9a Key management personnel

The key management personnel of the Fund are the Section 151 Officer and the Head of Pensions. The Section 151 Officer's costs have not been included as the Pension Fund is recharged on a time spent basis and their salary is accounted for in Gloucestershire County Council's accounts.

Total remuneration payable to the Head of Pensions position, 0.8 full time equivalent (F.T.E.), (0.9 F.T.E. 2018/19) is set out below.

	2018/19 £'000	2019/20 £'000
Short-term benefits	72	73
Post-employment benefits	36	37
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>108</u>	<u>110</u>

N10. Contingent liabilities and contractual commitments

The Fund has investment commitments with seven managers where the investment manager has not yet drawn down all monies due. These commitments relate to investments in private debt, property funds, private equity and infrastructure and are requested as and when the respective investment manager identifies an investment opportunity. The amounts requested can therefore be irregular in both size and timing.

During the year the Fund increased its commitment to the Brunel Pension Partnership's (BPP) infrastructure mandate by £80m and private equity mandate by £60m. The Fund also committed to invest £50m into BPP's international property mandate and £80m into its private debt mandate. These last two mandates are still in the process of being set up. Brunel anticipates that investment in its private equity and infrastructure funds may be fully drawn down by 2026. It is estimated that the private debt funds managed by Arcmont and Golub will have drawn down 80-85% of their total commitment by the end of 2020 and may then start returning funds as investments mature rather than draw down the entire commitment. No further funds will be drawn down by CBRE as assets managed by them were transferred in the early part of April 2020 to Brunel as part of the pooling initiative.

The following table shows the Fund's total commitment and the remaining liability, following drawdowns, at the year end.

	Total Commitment	Outstanding liability 2018/19	Outstanding liability 2019/20
	£'000	£'000	£'000
Arcmont Asset Management LLP (private debt)	50,000	27,730	17,532
CBRE Global Investment Partners (property)	41,000	1,531	-
Golub Capital Partners International (private debt)	40,000	19,625	5,798
Brunel Pension Partnership (private equity)	103,000	42,562	96,930
Brunel Pension Partnership (infrastructure)	123,000	41,119	116,212
Brunel Pension Partnership (international property)	50,000	-	50,000
Brunel Pension Partnership (private debt)	80,000	-	80,000
	487,000	132,567	366,472

Twelve admitted body employers in the Pension Fund held insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2019/20 (2018/19 nil).

N11. Contingent assets

Due to retrospective adjustments to how pension payments are made for Registration staff working additional hours or on a fee basis, a contingent asset of £38,504 (18/19 £38,504) has been identified as possible additional contributions from ex members of staff, during 2020/21 and future years.

N12. Unquoted holdings

The following holdings are unquoted:

	2018/19	2019/20
	£'000	£'000
<u>Pooled investment vehicles</u>		
UK equity unit trust	365,801	292,751
Overseas equity unit trust	-	120,663
Global equity unit trust	-	381,851
UK equity unitised insurance policy	13,245	-
Overseas equity unitised insurance policy	681,244	63,255
Global equity unitised insurance policy	303,244	477,178
Global multi asset unitised insurance policy	78,167	79,715
UK property managed fund	8,174	8,034
Overseas fixed interest managed fund	183,405	173,831
UK property limited liability partnership	476	181
UK private debt limited liability partnership	22,252	30,752
Overseas private debt limited liability partnership	20,145	33,363
UK Infrastructure limited liability partnership	1,797	2,416
Overseas Infrastructure limited liability partnership	-	3,887
Overseas fixed interest limited liability partnership	-	6,769
Overseas private equity limited liability partnership	480	6,317
	<u>1,678,430</u>	<u>1,680,963</u>
<u>Property unit trusts</u>		
UK property unit trust	38,196	35,753
Overseas property unit trust	13,608	14,554
	<u>51,804</u>	<u>50,307</u>
Total	1,730,234	1,731,270

N13. Stocklending

The Pension Funds' custodian has been authorised to release stock to third parties under a stock lending arrangement. At 31st March 2020 the value of stock out on loan was £4.8m of which £3.7m was in UK Government stock and £1.1m was in Overseas Equity, (In 18/19 the value out on loan was £1.6m of UK Government stock).

Collateral of £5.6m (£1.7m) equal to 116.5% (106.4%) of stock out on loan was held in the form of UK Government stock and a restrictive list of Overseas Equities.

The Pension Fund stipulates those institutions that are allowed to borrow its stock and the type of collateral that is acceptable.

These investments continue to be recognised in the Fund's financial statements. During the period the stock is on loan, the voting rights of the loaned stocks pass to the borrower

N14. Financial asset analysis

	2018/19	2019/20	Note
Financial assets	£'000	£'000	
Bonds			
UK - Public Sector - Quoted	46,521	35,982	
- Corporate - Quoted	256,694	272,504	
Overseas - Public Sector - Quoted	1,741	9,350	
- Corporate - Quoted	18,971	13,370	
	323,927	331,206	
Pooled investment vehicles			
Unit Trusts			
UK - Equities - Unquoted	365,801	292,751	
Overseas - Equities - Quoted	142,740	-	
Overseas - Equities - Unquoted	-	120,663	
Global - Equities - Unquoted	-	381,851	
Unitised Insurance Policies			
UK - Equities - Unquoted	13,245	-	
Overseas - Equities - Unquoted *	681,244	63,255	
Global - Equities - Unquoted *	303,244	477,178	
Global - Multi Asset - Unquoted *	78,167	79,715	
Other Managed Funds			
O.E.I.C.'s			
Overseas - Fixed interest - Quoted *	8,388	414	
Overseas - Fixed interest - Unquoted *	183,405	173,831	
UK - Property - Unquoted	8,174	8,034	
Limited Liability Partnerships			
UK - Private Debt - Unquoted	22,252	30,752	
Overseas - Private Debt - Unquoted	20,145	33,363	
UK - Property - Unquoted	476	181	
UK - Infrastructure - Unquoted	1,797	2,416	
Overseas - Infrastructure - Unquoted	-	3,887	
Overseas - Private Equity - Unquoted *	480	6,317	
Overseas - Fixed interest - Unquoted	-	6,769	
	1,829,558	1,681,377	N10
Property Unit Trusts			
UK - Quoted	140,674	141,755	
- Unquoted	38,196	35,753	
Overseas - Unquoted	13,608	14,554	
	192,478	192,062	N10
Derivative Contracts			
Futures - UK	-	211	
- Overseas	773	2,215	
Forward foreign exchange contracts	524	478	
	1,297	2,904	N17
Other Investments			
Venture Capital/Private Equity - UK	4,972	4,491	
	4,972	4,491	
Cash (Managers)			
Cash instruments - UK	7,043	9,070	
- Overseas	2,142	1,006	
Cash deposits - UK	1,334	121	
- Overseas	1,234	2,131	
	11,753	12,328	
Other investment balances			
Debtors			
Outstanding settlement of investment transactions	-	-	
Accrued dividend income and tax reclaims due on dividend income	4,450	4,352	
	4,450	4,352	
Long term financial assets			
Brunel Pension Partnership	395	427	N9
	395	427	
Total Financial Assets	2,368,830	2,229,147	

	2018/19	2019/20	Note
	£'000	£'000	
Financial Liabilities			
Derivative Contracts			
Futures - UK	-70	-	
- Overseas	-1,245	-2,011	
Forward foreign exchange contracts	-114	-2,097	
	-1,429	-4,108	N17
Other investment balances			
Creditors			
Outstanding settlement of investment transactions	-1,412	-946	
Total Financial Liabilities	-2,841	-5,054	
Long Term Assets			
Contributions due from employers	440	315	
Money due re. transfer of staff to another pension scheme	618	-	
	1,058	315	N24
Current Assets			
Contributions due from employers	4,708	4,808	
Other current assets (debtors)	410	471	
Money due re. transfer of staff to another pension scheme	618	618	
Payments in advance	256	250	
Cash balances	8,006	17,539	N23
	13,998	23,686	N24
Current Liabilities			
Unpaid benefits	-26	-18	
Other liabilities (creditors)	-2,301	-3,513	
	-2,327	-3,531	N25
TOTAL	2,378,718	2,244,563	

* These overseas pooled funds may incorporate some UK assets.

N15. Investment income

Investment income arises from the following investment categories:

	2018/19 £'000	2019/20 £'000
Bonds	9,293	12,222
Equities	9,957	-
Pooled investment vehicles	9,658	12,476
Interest on cash deposits	99	303
Private equity*	-1,401	-
Other income from stocklending, underwriting and class actions	78	87
	27,684	25,088
Withholding tax	-3	-46
	27,681	25,042

* During 2018/19 the Private Equity managers confirmed that historic cash distributions should have been treated as a return of capital rather than dividend income. Therefore all income received since 2011 has been removed from dividends and has been used to reduce the book cost of the investments resulting in an increase in unrealised profit.

In November 2018 assets were transferred from the manager of the directly held UK equity portfolio to a pooled fund managed by the Brunel Pension Partnership (BPP). The investment income arising from the underlying investments of this pooled fund is reinvested and reflected in the unit price rather than as income received.

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

Gloucestershire County Council LGPS provides additional voluntary contribution (AVC) schemes for its members, with The Prudential Assurance Company Limited and Phoenix Life Limited. The AVC's are invested separately in funds managed by them. These are in the form of with-profits, unit-linked and deposit accounts and secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement confirming amounts held to their account and movements in the year. These amounts are not included in the Pension Fund Accounts in accordance with Regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

Value of separately invested additional voluntary contributions

	31st March 2019 £'000	31st March 2020 £'000
The Prudential Assurance Company Limited	6,880	6,385
Phoenix Life Limited	18	18
	<u>6,898</u>	<u>6,403</u>

Contributions paid by members in the Prudential scheme during 2019/20 totalled £557,479 (2018/19 £647,390) which included additional death in service premiums totalling £948 (2018/19 £4,216).

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

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

Derivative Contract Analysis

	Contract type*	2018/19 Notional Value £'000	2019/20 Notional Value £'000	Expiration	2018/19 Market Value £'000	2019/20 Market Value £'000
INVESTMENT ASSETS						
<u>Futures</u>						
UK - Fixed Interest						
UK Long Gilt Future	ET	-	-9,806	Less than 3 months	-	211
UK Futures		-	-9,806		-	211
Overseas - Fixed Interest						
US Treasury Long Bond Future	ET	1,723	1,444	Less than 3 months	47	105
US 5yr Note Future	ET	68,801	53,886	Less than 3 months	726	2,034
German Euro-Bund Future	ET	-	-7,480		-	76
Overseas Futures		70,524	47,850		773	2,215
Total Futures		70,524	38,044		773	2,426
Forward foreign exchange contracts	OTC	42,329	10,805	Less than 3 months	524	478
Total Derivative Assets		112,853	48,849		1,297	2,904
INVESTMENT LIABILITIES						
<u>Futures</u>						
UK - Fixed Interest						
UK Long Gilt Future	ET	-4,528	-	Less than 3 months	-70	-
UK Futures		-4,528	-		-70	-
Overseas - Fixed Interest						
German Euro-Bund Future	ET	-36,838	-	Less than 3 months	-795	-
US 10yr Note Future	ET	-13,155	-19,574	Less than 3 months	-223	-1,084
US Ultra Bond Future	ET	-	-9,663	Less than 3 months	-	-927
US Treasury Bond Future	ET	-6,446	-	Less than 3 months	-227	-
Overseas Futures		-56,439	-29,237		-1,245	-2,011
Total Futures		-60,967	-29,237		-1,315	-2,011
Forward foreign exchange contracts	OTC	15,407	46,343	Less than 3 months	-114	-2,097
Total Derivative Liabilities		-45,560	17,106		-1,429	-4,108
Net Futures					-132	-1,204

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

A breakdown of the open forward foreign exchange contracts at 31st March 2020 is given below:-

Open Forward Currency Contracts at 31st March 2020

Settlement	Currency bought	Local Value 000	Currency sold	Local Value 000	Asset Value £000	Liability Value £000
Up to six months	EUR	5,297	GBP	4,475	217	
Up to six months	EUR	4,032	GBP	3,415	156	
Up to six months	EUR	1,134	GBP	946	58	
Up to three months	GBP	1,001	USD	1,192	41	
Up to three months	GBP	968	USD	1,194	6	
Up to three months	GBP	816	USD	1,013		0
Up to three months	GBP	907	USD	1,126		-1
Up to three months	EUR	502	GBP	449		-4
Up to three months	USD	668	GBP	543		-5
Up to three months	GBP	567	USD	735		-25
Up to three months	GBP	1,929	EUR	2,208		-27
Up to three months	GBP	760	USD	982		-31
Up to three months	USD	963	GBP	816		-40
Up to three months	USD	2,795	GBP	2,362		-110
Up to six months	GBP	5,964	USD	7,799		-321
Up to six months	GBP	7,842	USD	10,206		-382
Up to six months	GBP	9,138	USD	11,878		-432
Up to six months	GBP	14,250	EUR	16,900		-719
Open forward currency contracts at 31st March 2020					478	-2,097
Net forward currency contracts at 31st March 2020						-1,619
Prior year comparative						
Open forward currency contracts at 31st March 2019					524	-114
Net forward currency contracts at 31st March 2019						410

N18. Investments exceeding 5% of Total Net Assets

At 31st March 2020 the Pension Fund held seven, (2018/19, eight) investments that each exceeded 5% of the total value of the net assets of the scheme. These seven investments totalled £1,427,790k out of a total market value for the Fund of £2,244,563k. These are detailed as follows:

<u>Investments exceeding 5% of Total Net Assets</u>	2018/19 £'000	%	2019/20 £'000	%
BlackRock Global Equity Fund	476,518	20.3	*	
Brunel Global High Alpha Equity Fund	-	-	381,851	17.0
Brunel ACS UK Equity Fund	365,801	15.4	292,751	13.0
Legal & General SSciBeta Multi Factor Developed Equity Index Fund	-	-	196,325	8.7
Legg Mason Global Funds - WA GMS	183,405	7.7	173,831	7.7
Legal & General Multi Factor North America Fund	142,913	6.0	-	-
BlackRock Emerging Markets Index Fund	142,740	6.0	-	-
Hermes Property Unit Trust	140,674	5.9	141,755	6.3
Brunel Emerging Markets Equity Fund	-	-	120,663	5.4
Legal & General Developed World Equity Index Fund	127,496	5.3	120,614	5.4
Legal & General Developed World Equity Hedged Currency Index Fund	124,997	5.2	*	
	1,704,544	71.8	1,427,790	63.5

* The Fund continues to hold the BlackRock Global Equity Fund and Legal & General Developed World Equity Hedged Currency Index Fund, however their values have dropped below 5% of Total Net Assets standing at £63,255,000 (2.82%) and £111,772,000 (4.98%) respectively.

The BlackRock Global Fund is a Unitised Insurance Policy investing in global equities. Blackrock Emerging is a Unit Trust investing in emerging markets.

The Brunel Funds are Unit Trusts.

The Legg Mason Global Fund is an O.E.I.C. investing in overseas fixed interest.

Hermes Property Unit Trust is a Property Unit Trust.

The Legal & General Funds are passively managed Unitised Insurance Policies .

N19. Agency services

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

	2018/19 £'000	2019/20 £'000
Discretionary Payments	1,100	1,115

N20. Contributions breakdown

	2018/19 £'000	2019/20 £'000
From Employers:		
Normal	54,499	57,371
Augmentation	-	-
Deficit Funding	22,349	25,757
Section 75 debt (cessation of employer)	13,447	-1,194
Other	2,721	2,224
	93,016	84,158
From Members:		
Normal	17,869	18,789
Additional Voluntary	245	173
	18,114	18,962

The employers' monthly contributions are based on a percentage of pensionable pay. Deficit funding payments are either based on a percentage of pensionable pay or paid as a lump sum. Both monthly contributions and deficit funding payments have been identified above. The deficit funding contributions relate to past service benefit accrual and are payable over an agreed recovery period, not exceeding 17 years.

Employers who left the scheme during 2018/19 paid outstanding deficit payments, where necessary, and this was included under Section 75 debt.

A revision to the Regulations in May 2018 and a further more recent revision permits, at the discretion of the Pension Fund, the payment of an exit credit to an employer. Accruals for possible payments have been included within Section 75 debt in 2019/20.

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

These payments follow the principles outlined in the Funding Strategy Statement. Early retirement costs are usually paid in one lump sum or were historically paid over several years dependent on the status of the employer. When a payment is spread there is an extra cost to reflect the delay in total payment. There are currently no early retirement costs being spread and at 31st March 2020 there were no accrued early retirements due to the Fund (2018/19 nil).

Excess ill health retirement costs are invoiced for as they arise and funding level payments are made by an employer voluntarily. At 31st March 2020 £117k (2018/19 £505k) was due to the Pension fund for ill health retirement costs which have been accrued; this is the final instalment of a payment which was being spread over two years (2018/19 £235k).

It had been agreed previously that an employer who left the Fund in 2008/09 could spread the payment of their deficit over a number of years. The total amount was credited to the Pension Fund and an accrual made for the outstanding amount. The accrual is rolled forward each year and adjusted for deficit payments made.

N21. Custody of investments

The accounts for the year ended 31st March 2020 use the valuations for the Fund's assets provided by our custodian, State Street Global Services. This reflects the position of the custodian who is ultimately the master book of record. Custodian records are regularly reconciled with the Fund Manager's records. Using the custodian's valuations ensures that the various portfolios are priced consistently, so that the same stocks, in different portfolios, are valued on the same basis. Investments held in custody by State Street Global Services on behalf of the Pension Fund, are ring-fenced from the assets of the Bank and segregated within its books as belonging to Gloucestershire Pension Fund.

N22. Management expenses

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

<u>Management expenses</u>	2018/19 £'000	2019/20 £'000
Investment management expenses *	6,492	7,797
Administration expenses	1,397	1,509
Oversight & governance	553	722
	8,442	10,028

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

Investment management expenses are generally set on a fixed fee basis, calculated using the market value of each portfolio. The cost of investment management expenses varies with the value of assets under management.

The increases investment management expenses during the period of £1.3 million arise as a result of three key factors:

- The operational activities of the Brunel Pension Partnership (BPP) which the Gloucestershire Fund is an equal shareholder with nine other Pension Funds.
- The change in the Strategic Asset Allocation of the Fund.
- A different fee structure for the BPP UK equities mandate compared to the previous investment mandate held by the Fund.

Brunel Pension Partnership

The costs relating to the Brunel Pension Partnership increased by £535,448 in 2019/20 compared with 2018/19, including £120,347 relating to a cost adjustment in respect of the Shareholder budget for 2018/19. The remainder of the increase was due to the increase in the overall operational budget of the BPP agreed by all the shareholders. This increase was required to increase the investment capacity within the BPP in order to achieve the agreed asset transition plan.

Change in Strategic Asset Allocation

In accordance with the new agreed strategic asset allocation, the management of the Emerging Markets investment mandate was moved from a passive management arrangement to the BPP active management mandate, with the aim of increasing investment returns. This move resulted in increased fees and transition costs of £297,638 in 2019/20. There was also an increased investment in Private Markets and Infrastructure investments, to deliver increased diversification to the Fund, which resulted in increased investment fees and transition costs of £491,461. These changes, which were supported by the Independent Investment advisor to the Fund, are designed to improve investment returns, and increase diversification and reduce investment risks to the Fund.

UK Equities Investment

The pre BPP UK Equities mandate held by the Fund had a fee structure, which was based on a base investment fee and a performance related fee which would be payable based on performance in excess of the UK Equities benchmark. The BPP fee is now based solely on a base investment fee, with no performance fee payable for investment returns in excess of benchmark. As a result of this change base fees increased by £314,154, but will be fully covered provided that the BPP mandate delivers against the agreed performance target.

The increase in Administration Expenses is largely due to an increase in IT costs in relation to cloud hosting. The increase in Oversight & Governance is mainly due to an increase in actuarial fees incurred during the triennial valuation.

Within Oversight and Governance costs there were actuarial expenses of £123,512 (£126,358 2018/19) 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.

In addition to the recharged actuarial expenses, recoveries for services provided includes £12,586 (£5,328 18/19) for pension and fee reimbursements.

Gloucestershire County Council - 2019-20 Statement of Accounts

	2018/19 £'000	2019/20 £'000
Investment management expenses		
Fund value based management fees - invoiced	4,798	4,165
- deducted from investment	544	2,566
	5,342	6,731
Performance fee		
- invoiced	-	-
- deducted from investment	544	568
	544	568
	5,886	7,299
Transaction costs		
- equities	233	-
- derivatives	27	29
- bonds	1	-
- pooled funds	167	338
	428	367
Custody costs	176	131
Tax and legal costs	2	-
	6,492	7,797

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

Audit Fees

Audit fees of £24,605 (£18,325 in 2018/19) were incurred in relation to Grant Thornton UK LLP, the auditors appointed by Public Sector Audit Appointments Ltd for external audit services.

Transaction costs

When an asset is purchased or sold a cost is incurred for broker commission and stamp duty, when appropriate, based on a small percentage of the value of assets being transacted.

Transaction costs of £367,207 (£427,453 2018/19) were included within the purchase cost/proceeds of investment at the point of purchase or sale but for transparency purposes have been added to Investment Management Expenses with a corresponding offset against Profit on Disposal of Investments as recommended by CIPFA.

Transaction costs decreased in 2019/20 largely due to an on-going re-organisation of investment managers and investment assets which commenced in 2018/19.

N23. Cash

From the 1st April 2010 the Pension Fund has had its own bank account. At 31st March 2020 cash of £17.5m (£8.0m in 2018/19) was invested through the County Council's short-term investment procedures. During the year the average investment balance was £22.6m (£12.3m 2018/19) earning interest of £159.5k (£65.6k 2018/19).

N24. Current & long term assets

	2018/19 £'000	2019/20 £'000
Current assets		
Contributions due - Employees	816	942
Contributions due - Employers	3,892	3,866
Sundry debtors	410	471
Payment in advance	256	250
Money due re. transfer of staff to another pension scheme	618	618
	5,992	6,147
Cash balances	8,006	17,539
	13,998	23,686
	2018/19 £'000	2019/20 £'000
Long term assets		
Long term debtors	1,058	315

One central government body transferred to another pension fund and the resulting bulk transfer value due was paid over a number of years. The total amount was credited to the Pension Fund and an accrual made for the outstanding amount. The final payment of £618,000 is due to the Pension Fund within the next twelve months and is, therefore, included within current assets.

It had been agreed that an employer who left the Fund could spread the payment of their deficit over a number of years. The total amount was credited to the Pension Fund and an accrual made for the outstanding amount. The accrual is rolled forward each year and adjusted for deficit payments made. A payment of £7,200 is due to the Pension Fund within the next twelve months.

N25. Current liabilities

	2018/19 £'000	2019/20 £'000
Benefits payable	-26	-18
Sundry creditors	-2,301	-3,513
	-2,327	-3,531

N26. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation (See Note N6), the fund's Actuary also undertakes a valuation of the Pension Fund liabilities on an IAS19 basis every year. These liabilities have been projected using a roll forward approximation from the last triennial valuation as at 31st March 2019. The Present Value of Promised Retirement Benefits at 31st March 2020 includes an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

Balance Sheet:

Year Ended	31 st March 2019 £m	31 st March 2020 £m
Present Value of Promised Retirement Benefits	3,472	3,137

Net Assets Available for Benefits

Year Ended	31 st March 2019 £m	31 st March 2020 £m
Net assets	2,379	2,245

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31st March 2020 and 31st March 2019. It is estimated that the impact of the change in financial assumptions to 31st March 2020 is to decrease the actuarial present value by £303m (18/19 increase of £261m). It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £104m (18/19 £0).

Significant Actuarial Assumptions Used

Financial assumption:

Year Ended	31 st March 2019 % pa	31 st March 2020 % pa
Pension Increase Rate	2.5	1.9
Salary Increase Rate	2.8	2.2
Discount Rate	2.4	2.3

Longevity assumption:

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below.

Longevity assumptions as at 31st March 2020	Males	Females
	Years	
Current Pensioners	21.7	23.9
Future Pensioners **	22.4	25.3

Longevity assumptions as at 31st March 2019	Males	Females
	Years	
Current Pensioners	22.4	24.6
Future Pensioners **	24.0	26.4

** Future pensioners are assumed to be aged 45 at the latest formal valuation as at 31st March 2019.

Commutation assumption:

An allowance is included for future retirements to elect to take 35% (35% 2018/19) of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 68% (68% 2018/19) of the maximum tax free cash for post-April 2008 service.

Sensitivity Analysis

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

Sensitivity to the assumptions for the year ended 31st March 2020	Approximate % increase to liabilities %	Approximate monetary amount £m
0.5% p.a. increase in the Pension Increase Rate	9	273
0.5% p.a. increase in the Salary Increase Rate	1	28
0.5% p.a. decrease in the Real Discount Rate	10	304

Sensitivity to the assumptions for the year ended 31st March 2019	Approximate % increase to liabilities %	Approximate monetary amount £m
0.5% p.a. increase in the Pension Increase Rate	8	290
0.5% p.a. increase in the Salary Increase Rate	1	50
0.5% p.a. decrease in the Real Discount Rate	10	361

The principal demographic assumption is the longevity assumption. For sensitivity purposes, the Actuary estimates that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

N27. Nature and extent of risks arising from Financial Instruments

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

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

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

The Fund's investments are held by State Street Global Services, 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 2020. 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 2020 by the amounts shown below:

As at 31st March 2020	Value £'000	Volatility of return %	Value on Increase £'000	Value on Decrease £'000
UK Bonds	308,486	9.80	338,718	278,254
UK Equities	292,751	27.50	373,258	212,244
Overseas Bonds	203,734	9.80	223,700	183,768
Multi National Equities	1,122,661	27.00	1,425,779	819,543
UK Property	185,723	14.20	212,096	159,350
Overseas Property	14,554	14.20	16,621	12,487
Venture Capital/Private Equity/Infrastructure	17,111	28.40	21,971	12,251
Private Debt	64,115	7.20	68,731	59,499
	2,209,135		2,680,874	1,737,396
Total Gloucestershire Fund	2,209,135	16.30%	2,569,224	1,849,046

As at 31st March 2019	Value £'000	Volatility of return %	Value on Increase £'000	Value on Decrease £'000
UK Bonds	303,215	10.50	335,053	271,377
UK Equities	379,046	16.60	441,968	316,124
Overseas Bonds	212,505	10.50	234,818	190,192
Multi National Equities	1,205,394	16.60	1,405,489	1,005,299
UK Property	187,521	14.30	214,337	160,705
Overseas Property	13,608	14.30	15,554	11,662
Venture Capital/Private Equity/Infrastructure	7,249	28.30	9,300	5,198
Private Debt	42,397	5.90	44,898	39,896
	2,350,935		2,701,417	2,000,453
Total Gloucestershire Fund	2,350,935	10.80%	2,604,836	2,097,034

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 2020 is set out below along with the interest rate sensitivity analysis data.

Interest Rate Risk Sensitivity Analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Over the last five years long term yields, as measured by the yield on the FTSE Over 15 Year Gilt Index as at the end of March 2020, have averaged 1.77% (2018/19 2.11%) and moved between a high of 2.76% (3.45% 2018/19) and a low of 0.45% (1.13% 2018/19). As at the end of March 2020 this yield was 0.75% (1.48% 2018/19). Given the high degree of uncertainty over the future economic situation, the Fund's bond manager has advised that it is entirely possible that yields could fluctuate anywhere within this historic range in the next year, or in extreme circumstances outside these boundaries.

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

Assets exposed to interest rate risk	Carrying amount as at 31st March 2020	Change in the year in the net assets available to pay benefits	
		+100BPS (1% increase)	-100BPS (1% decrease)
	£'000	£'000	£'000
Cash held directly by the Fund	17,539	-	-
Cash and cash equivalents held on behalf of the Fund	12,328	-	-
Bond Portfolio - Fixed Interest Securities excluding cash	516,614	-31,968	31,968
	546,481	-31,968	31,968

Assets exposed to interest rate risk	Carrying amount as at 31st March 2019	Change in the year in the net assets available to pay benefits	
		+100BPS (1% increase)	-100BPS (1% decrease)
	£'000	£'000	£'000
Cash held directly by the Fund	8,006	-	-
Cash and cash equivalents held on behalf of the Fund	11,753	-	-
Bond Portfolio - Fixed Interest Securities excluding cash	520,040	-33,024	33,024
	539,799	-33,024	33,024

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. We permit the fixed income portfolio manager, global property manager, developed world passive manager and the global multi asset manager to hedge currency exposures back to Sterling.

Currency Risk Sensitivity Analysis

Following analysis of historical data, by the Fund's performance measurement service, the likely volatility associated with foreign exchange rate movements is considered to be 7.4% (as measured by one standard deviation).

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

A 7.4% 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:

2019/20 Currency exposure - Asset type	Asset value	Change to net assets available	
	as at 31st March 2020 £'000	to pay benefits	
		£'000 +7.4%	£'000 -7.4%
UK Equities	3	3	3
Global Equities	877,084	941,988	812,180
Emerging Market Equities	-	-	-
Overseas Private Debt	33,363	35,832	30,894
Venture Capital /Private Equity/ Infrastructure	10,204	10,959	9,449
Cash/Cash equivalents	3,137	3,369	2,905
	923,791	992,151	855,431

2018/19 Currency exposure - Asset type	Asset value	Change to net assets available	
	as at 31st March 2019 £'000	to pay benefits	
		£'000 +8.8%	£'000 -8.8%
UK Equities	-	-	-
Global Equities	815,919	887,720	744,118
Emerging Market Equities	142,739	155,300	130,178
Overseas Private Debt	20,145	21,918	18,372
Venture Capital /Private Equity/ Infrastructure	2,277	2,477	2,077
Cash/Cash equivalents	3,375	3,672	3,078
	984,455	1,071,087	897,823

Credit Risk

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

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

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

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

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

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

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

Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. This risk is managed by restricting the collateral permitted to high grade sovereign debt, AAA rated fixed interest stock issued by Supranational bodies and a restrictive list of equities indices. 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 2020 is set out below.

Credit Analysis

31st March 2020	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000
UK Gilts	-	36,206	-	-	-	-	-
UK Index Linked	-	-	-	-	-	-	-
Overseas Govt Bonds	8,591	-	792	-	-	-	-
Overseas Inflation-linked	-	-	-	-	-	-	-
Corporate Bonds	3,399	22,302	150,966	102,758	-	-	-
High Yield	-	-	-	-	6,348	3,930	683
Emerging Markets	-	-	3,702	-	840	-	-
Mortgage Backed Securities	-	1,984	-	-	-	-	-
Cash/Cash Equivalents/Currency Forwards	6,818	1	-	-	-	-	-1,611
	18,808	60,493	155,460	102,758	7,188	3,930	-928
% of Fixed Interest Portfolio	5.4	17.4	44.7	29.6	2.1	1.1	-0.3

31st March 2019	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000
UK Gilts	-	46,945	-	-	-	-	-
UK Index Linked	-	-	-	-	-	-	-
Overseas Govt Bonds	933	-	-	-	-	-	-
Overseas Inflation-linked	-	-	-	-	-	-	-
Corporate Bonds	2,988	16,689	136,721	80,529	153	-	-
High Yield	-	-	-	-	5,063	3,559	150
Emerging Markets	-	-	1,484	-	1,228	-	-
Mortgage Backed Securities	-	4,724	7,430	22,755	378	-	-
Supra/Sov/Local Govts	-	-	-	-	-	-	-
Cash/Cash Equivalents/Currency Forwards	8,101	-	595	2,611	-	-	-
	12,022	68,358	146,230	105,895	6,822	3,559	150
% of Fixed Interest Portfolio	3.5	19.9	42.5	30.8	2.0	1.0	0.04

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 2020 is shown below:

Balances as at 31st March 2019			Balances as at 31st March 2020	
Account Name	Rating*	£'000	Rating*	£'000
Aberdeen Standard Liquidity Fund	AAAam	757	AAAam	5,857
Federated Short Term Sterling Prime Fund	AAAam	6,209	AAAam	-
HSBC Instant Access	AA-	861	A-1+	7,176
HSBC Current Account	AA-	179	A-1+	569
Handelsbanken		-	A-1+	3,937
Total		8,006		17,539

* Ratings quoted are all Standard and Poors as at 31st March 2020 and 2019

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Pension Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. Contributions due as at 31st March 2020 was £4,808k (2018/19 £4,708k) and as at 24th June 2020 £17k remained outstanding.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. A substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments, even though 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.

Refinancing risk

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

N28 Fair value hierarchy

Basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Futures and options in UK bonds	Level 1	Published exchange prices at the year end	Not required	Not required
Quoted Bonds	Level 2	Fixed interest securities are valued at a market value based on current yields	Source of pricing, valuation methodology documentation	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risks	Not required
Pooled investments	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV based pricing set on a forward pricing basis and daily prices published.	Not required
Property Pooled investments	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published.	NAV-based pricing set on a forward pricing basis.	Not required
Quoted Bonds	Level 3	Fixed interest securities are valued at a market value based on current yields	Source of pricing, valuation methodology documentation, trade comparison review	Low volume of trades in trade comparison review cohort.
Property Pooled investments	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published.	NAV-based pricing set on a forward pricing basis.	Valuations could be affected by changes in the structure of the holdings such as changing from a closed ended fund to an open ended fund.

Private equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple, Revenue multiple, Discount for lack of marketability, Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Private Debt	Level 3	Fair value is determined by the following factors: enterprise value of a portfolio company, the nature and realisable value of any collateral, the portfolio company's ability to make payments and its earnings, discounted cash flows, market environment and changes in the interest rate environment	Initial recognition cost, Principal repayments, effective interest method, Impairment reductions	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Infrastructure Funds	Level 3	Direct investments: Independent valuation performed using discounted cash flow methodology in accordance with international private equity valuation guidelines	Future free cash flows from underlying investments. Cost of capital of underlying investments	Valuations could be affected by material events occurring after the preparation of the independent reports, and by changes to expected cash flows

Sensitivity of assets valued at level 3

Having consulted with independent advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31st March 2020.

2019/20	Assessed valuation range (+/-)	Value at 31st March 2020 £'000	Value on increase £'000	Value on decrease £'000
UK Property Pooled Funds	14.2%	170,116	194,272	145,960
Venture Capital/Private equity/Infrastructure	28.4%	17,111	21,971	12,251
UK Corporate Bonds	9.8%	17,699	19,434	15,965
Overseas Private Debt	7.2%	33,363	35,765	30,961
UK Private Debt	7.2%	30,752	32,966	28,538
Total		269,041	304,408	233,675

2018/19	Assessed valuation range (+/-)	Value at 31st March 2019 £'000	Value on increase £'000	Value on decrease £'000
UK Property Pooled Funds	14%	164,487	187,515	141,458
Venture Capital/Private equity/Infrastructure	28%	7,249	9,279	5,219
UK Corporate Bonds	11%	3,512	3,898	3,126
Overseas Private Debt	6%	20,145	21,354	18,936
UK Private Debt	6%	22,252	23,587	20,917
Total		217,645	245,633	189,656

Fair Value Hierarchy

The Fund is required to classify its investments using a fair value hierarchy that reflects the subjectivity of the inputs used in making an assessment of fair value. Fair value is the value at which the investments could be realised within a reasonable timeframe. This hierarchy is not a measure of investment risk but a reflection of the ability to value the investments at fair value. Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. The fair value hierarchy has the following levels:

- Level 1 – Unadjusted quoted prices in an active market for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.
- Level 2 – Inputs other than quoted market prices under Level 1, for example, when an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.
- Level 3 – At least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Values at 31st March 2020				
Financial assets at fair value through profit and loss	2,426	1,950,170	269,041	2,221,637
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-2,011	-	-	-2,011
Investment manager cash and accruals				4,039
Net Investments Assets	415	1,950,170	269,041	2,223,665
Brunel Pension Partnership				427
Investment Debtors/Creditors				20,471
Total Net Investment Assets	415	1,950,170	269,041	2,244,563
	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Values at 31st March 2019				
Financial assets at fair value through profit and loss	773	2,142,475	217,645	2,360,893
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-1,315	-	-	-1,315
Investment manager cash and accruals				6,015
Net Investments Assets	-542	2,142,475	217,645	2,365,593
Brunel Pension Partnership				395
Investment Debtors/Creditors				12,730
Total Net Investment Assets	-542	2,142,475	217,645	2,378,718

Investment debtors and creditors have been added to this table to reflect the total net assets of the Fund.

Transfers between Levels 1 and 2

There has been no movement between levels 1 & 2

Reconciliation of Fair Value Measurements within Level 3

2019/20

	UK property pooled funds	Private Equity	Overseas Private Debt	UK Private Debt	UK Corporate Bonds	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Market Value 31st March 2019	164,487	7,249	20,145	22,252	3,512	217,645
Transfers into Level 3	6,135	-	-	-	15,451	21,586
Transfers out of Level 3	-	-	-	-	-	-
Purchases during the year and derivative payments	4,277	8,938	13,797	16,737	-	43,749
Sales during the year and derivative receipts	-	-793	-2,442	-7,775	-1,238	-12,248
Unrealised gains/(losses)	-4,783	1,752	-579	-462	-59	-4,131
Realised gains/(losses)	-	-35	2,442	-	33	2,440
Market Value 31st March 2020	170,116	17,111	33,363	30,752	17,699	269,041

2018/19

	UK property pooled funds	Private Equity	Overseas Private Debt	UK Private Debt	UK Corporate Bonds	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Market Value 31st March 2018	153,401	5,624	10,693	6,166	1,012	176,896
Transfers into Level 3	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-
Purchases during the year and derivative payments	6,728	2,313	8,771	20,409	2,557	40,778
Sales during the year and derivative receipts	-	-797	-	-4,270	-47	-5,114
Unrealised gains/(losses)	4,358	109	681	-53	-10	5,085
Realised gains/(losses)	-	-	-	-	-	-
Market Value 31st March 2019	164,487	7,249	20,145	22,252	3,512	217,645

N29. Financial instrument disclosure

2019/20	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
Financial assets			
Bonds	331,206	-	-
Pooled investments	1,681,377	-	-
Property Unit Trusts	192,062	-	-
Private equity	4,491	-	-
Brunel Pension Partnership	427	-	-
Derivative contracts	2,904	-	-
Cash	-	29,867	-
Other investment balances	-	4,352	-
Debtors	-	1,339	-
	2,212,467	35,558	-
Financial liabilities			
Derivative contracts	-4,108	-	-
Other investment balances	-	-946	-
Creditors	-	-	-3,513
Borrowings	-	-	-
	-4,108	-946	-3,513
	2,208,359	34,612	-3,513
2018/19	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
Financial assets			
Bonds	323,927	-	-
Pooled investments	1,829,558	-	-
Property Unit Trusts	192,478	-	-
Private equity	4,972	-	-
Brunel Pension Partnership	395	-	-
Derivative contracts	1,297	-	-
Cash	-	19,759	-
Other investment balances	-	4,450	-
Debtors	-	1,902	-
	2,352,627	26,111	-
Financial liabilities			
Derivative contracts	-1,429	-	-
Other investment balances	-	-1,412	-
Creditors	-	-	-2,301
Borrowings	-	-	-
	-1,429	-1,412	-2,301
	2,351,198	24,699	-2,301

N29 (a) Net gains and losses on financial instruments

	2018/19 £'000	2019/20 £'000
Financial assets		
Fair value through profit and loss	90,864	-168,409
Amortised cost - realised gains on de-recognition of assets	-	-
Amortised cost - unrealised gains	-	-
Financial liabilities		
Fair value through profit and loss	-	-
Amortised cost - realised losses on de-recognition of assets	-	-
Amortised cost - unrealised losses	-	-
	<u>90,864</u>	<u>-168,409</u>

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

N30. Bulk transfers in and out of the Pension Fund

Transfers to or from other pension funds

During 2019/20 there were no bulk transfers to or from other pension funds.

N31. Accounting Standards that have been issued but have not yet been adopted

The Code requires consideration of the impact of standards that have been issued but not yet adopted. This is to enable users to evaluate the risk of these new standards on the pension fund's current financial position.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures: The amendments clarify that IFRS9 applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. This will not have an impact on the Pension Fund and is therefore considered to be immaterial.

N32. Taxation where lifetime or annual allowances are exceeded

Where a member's benefit entitlement exceeds the United Kingdom Inland Revenue tax limits (Lifetime Allowance or the Annual Allowance), the member is liable for taxation. This tax can be paid by the member or has to be paid by the Pension Fund on behalf of the member in exchange for a reduction in benefit entitlement. The Pension Fund has paid £74k on behalf of members during 2019/20 (£81k 2018/19). Any lifetime or annual allowance tax paid on behalf of members is recovered from their future pension payments. No accruals are made for the recovery of this tax element on the grounds of materiality and the very long term nature of its recovery.

N33. Events after the reporting date

Since December 2019, the spread of COVID-19 has severely impacted many local economies around the globe resulting in an economic slowdown. Global stock markets have also experienced great volatility and significant weakening and there is a potential for a reduction in the Pension Fund's future income and investment returns and an increase in expenditure in the form of additional costs.

It is not possible to reliably estimate the duration and severity of these consequences and their impact on the financial position and performance of the Pension Fund. As investments are valued at fair value and any profits and losses only realised upon sale, it has been determined that the COVID-19 pandemic should be treated as a non-adjusting event and the financial position for the year ended 31st march 2020 has not been adjusted.

Fire Pensions Accounts

Fund Account for the year ended 31st March 2020

2018/19		1992 FPS	2006 NFPS	Modified Scheme	2015 Care Scheme	2019/20 Total
£000		£000	£000	£000	£000	£000
	Contributions Receivable					
	Fire Authority					
-1,269	Contributions in relation to pensionable pay	-487	-18	-35	-1,811	-2,351
-	Early retirements					-
-	Other: Ill health retirement					-
	Firefighters' contributions					
-1,076	Normal	-195	-8	-30	-809	-1,042
-5	Other: Added Years	-4				-4
	Transfers in					
-198	Transfers in from other schemes		3		1	4
-	Additional Holiday Payments	35				35
	Benefits Payable					
5,888	Pensions	5,899	24	60	-	5,983
1,160	Commutations & lump sum retirement benefits	1,401	28	33		1,462
-	Lump sum death benefits	40				40
	Payments to and on account of leavers					
-	Refunds of contributions					-
-	Transfers out to other schemes					-
4,500	Net amount payable for the year	6,689	29	28	-2,619	4,127
-4,500	Top-up grant receivable / payable to Central Government	-6,689	-29	-28	2,619	-4,127
-		-	-	-	-	-

Net Assets Statement for the year ended 31st March 2020

2018/19		FPS	NFPS	Modified Scheme	2015 Care Scheme	2019/20 Total
£000		£000	£000	£000	£000	£000
	Net current assets and liabilities					
	Current Assets					
-	Contributions due from employer					
-4,500	Pension top-up grant receivable from Central Government	-6,689	-29	-28	2,619	-4,127
-	Recoverable overpayments of pensions					
	Current Liabilities					
-	Unpaid pension benefits					
-1,751	Amount payable to Central Government				-2,619	-2,619
-	Other current liabilities					
6,251	Amount owing to general fund	6,689	29	28		6,746
-		-	-	-	-	-

Notes

1. The Firefighters Pension Scheme is a defined benefit occupational pension scheme which is guaranteed and backed by law. From 1st April 2015, the Scheme changed from a Final Salary Scheme to a Career Average Revalued Earnings Scheme (CARE). The Firefighters pension fund is administered by the County Council. There are currently four pension schemes for fire officers, all of which are unfunded defined benefit final salary schemes. Unfunded means that there are no investment assets held to meet the pension liabilities as they fall due. The four schemes are:-

- 1992 Firefighters Pension Scheme (FPS- Closed to new members)
- 2006 New Firefighters Pension Scheme (NFPS - Closed to new members)
- 2006 Modified Firefighters Pension Scheme (Closed to new members)
- 2015 Firefighters Pension Scheme

Members starting after 1 April 2015, and members of the 1992 and 2006 Final Salary Schemes will move into the new 2015 Scheme, unless protections apply.

The fund is financed by contributions paid in by existing firefighters and the Fire Service with any balance receivable from or payable to the Home Office through the payment of the Fire Pensions Top Up Grant.

2. Employees and employers contribution levels are based on percentages of pensionable pay set nationally by the DCLG/WG and are subject to triennial revaluation by the Government Actuary's Department.

3. Pension benefits are payable from the fund in accordance with the relevant statutory provisions and include ordinary and ill-health awards. Any ongoing injury awards are not payable from the fund.

4. The fund has been prepared to meet the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. There are no administration charges included in the accounts and the fund's financial statements do not take into account any liabilities to pay pensions and other benefits after the period end.

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

Glossary of terms

Accounting Policies

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

Accounting Standards

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

Accrual

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

Actuary

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

Actuarial Gains and Losses

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

Admitted Body

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

Amortisation

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

Additional Voluntary Contributions (AVC's)

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

Capital Expenditure

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

Class of Tangible Fixed Assets

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

Operational Assets

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

Non-operational Assets

- Assets under construction
- Surplus assets held for disposal.

Code of Practise (CODE)

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

Consistency

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

Contingent Asset

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

Contingent Liability

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

Creditors

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made by the end of the financial year.

Debtors

Amounts due to the Council for work done, goods received or services rendered but which remain unpaid at the end of the financial year.

Dedicated Schools Grant (DSG)

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

Deferred Charges

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

Depreciation

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

Derivative

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

Disclosure

Information that must be shown in the accounts under the CIPFA code of practice (CODE).

Discretionary Benefits

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

Estimation Techniques

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

Events After the Balance Sheet Date

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

Exceptional Items

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

Exchange Traded Funds (ETFs/ET's)

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

Fair Value

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

Finance Lease

A finance lease involves payment by the lessee (the user) of the full cost of the asset together with a return on the finance provided by the lessor, usually payable over the anticipated life of the asset.

Funding Level

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

Futures Contracts

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

Going Concern

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

Government Grants

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

Guaranteed Minimum Pension (GMP)

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

IFRS

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

International Accounting Standard (IAS) 19

International Accounting Standard (IAS) 19 outlines the accounting requirements for employee benefits, including short-term benefits (e.g. wages and salaries, annual leave), post-employment benefits such as retirement benefits, other long-term benefits (e.g. long service leave) and termination benefits. The standard establishes the principle that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable, and outlines how each category of employee benefits are measured, providing detailed guidance in particular about post-employment benefits.

International Financial Reporting Interpretations Committee (IFRIC) 12

The objective of IFRIC 12 is to clarify how certain aspects of existing International Accounting Standards are to be applied to service concession arrangements. A service concession arrangement is an arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure assets such as roads, bridges, tunnels, airports, energy distribution networks, prisons or hospitals. The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement.

Inventories

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

Impairment

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

Infrastructure Assets

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

Investment Management

Investment management is the professional asset management of various securities (e.g. shares or bonds) and other assets (e.g. real estate) in order to meet specified investment goals for the benefit of the investors.

Liquid Resources

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

Long-term Contracts

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

Managed Fund

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

Market Value

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

Net Book Value

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

Non-Operational Assets

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

Operating Leases

A method of obtaining the use of an asset where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the revenue account

Operational Assets

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

Options

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

Over The Counter (OTC)

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

Past Service Cost

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

Pensionable Pay

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

Pension Interest Cost and Expected Return on Pensions Assets

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

Pooled Investment Vehicle

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

Prior Period Adjustments

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

Projected Unit Method

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

Public Works Loans Board (PWLB)

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

Quoted Investments

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

Realised Gains/ (Losses)

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

Related Parties

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

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

Examples of related parties of the Council include:

- Central Government
- Local Authorities and other bodies precepting or levying demands on the Council Tax
- It's subsidiary and associated companies
- It's joint ventures and joint venture partners
- It's Members
- It's Chief Officers, and
- It's Pension Fund.

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

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

Related Party Transaction

A Related Party Transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

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

Remuneration

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

Reserves

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

Retirement Benefits

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

Scheduled Bodies

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

Tangible Fixed Assets - Property Plant & Equipment

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

Transfer Value

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

Trust Funds

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

Unitised Insurance Policy

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

Unit Trust

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

Unquoted Investments

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

Useful Life

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

Unrealised Profit

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

Venture Capital

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

Abbreviations

CFR	Capital Financing Requirement
CPI	Consumer Price Index
DCLG	Department of Communities and Local Government
DSG	Dedicated Schools Grant
FPS	Firefighters Pension Scheme
FSA	Financial Services Authority
GCC	Gloucestershire County Council
GFRS	Gloucestershire Fire and Rescue Service
GSWBP	Gloucester South West Bypass
HMRC	Her Majesty's Revenue and Customs
IAS	International Accounting Standard
ICO	Information Commissioner's Office
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISB	Individual School Budget
LAMS	Local Authority Mortgage Scheme
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGPS	Local Government Pension Scheme
LOBO	Lender Option Borrower Option (Loans)
MRP	Minimum Revenue Provision
NFPS	New Firefighters Pension Scheme
NHS	National Health Service
NPV	Net Present Value
PCT	Primary Care Trust
PFI	Public Finance Initiative
PPP	Public-Private Partnership
PPE	Property Plant and Equipment
PWLB	Public Works Loans Board
RCCO	Revenue Contribution to Capital Outlay
RPI	Retail Price Index
RSG	Revenue Support Grant
SORP	Statement of Recommended Practice
TOIL	Time Off in Lieu
TPA	Teachers' Pensions Agency
WG	Welsh Government

More info [gloucestershire.gov.uk](https://www.gloucestershire.gov.uk)



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