

# Statement of Accounts **2016-17**



## Contents

	Page
Foreword to Narrative Report by Cllr Mark Hawthorne, Leader and Peter Bungard, Chief Executive	1
Narrative Report by Director of Strategic Finance Director (S151 Officer)	2
Statement of Accounting Policies	23
Statement of Responsibilities	39
Audit Report	40
Comprehensive Income and Expenditure Statement	43
Movement in Reserves Statement	44
Balance Sheet	46
Cash Flow Statement	47
Notes to the Accounts	48
Gloucestershire Pension Fund Accounts	101
Notes to Pension Fund Accounts	102
Fire Pension Accounts	136
Glossary of Terms	137

## Foreword to Narrative Report

Gloucestershire County Council continues to face considerable challenges at the same time as enormous 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 reductions to our funding. 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 - Meeting the Challenge: Together We Can - 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. Although the need to make tough choices continues, this means we can continue to respond to those who are the most vulnerable and in the greatest need of our help and support.

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.

This update of our strategy reflects the progress we have made and sets out our response to the new challenges and opportunities that are presenting themselves.



Cllr Mark Hawthorne  
Leader



Peter Bungard  
Chief Executive

## Director of Strategic Finance's Narrative Report

### Introduction

Welcome to Gloucestershire County Council's Statement of Accounts for 2016/17. 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 reflects a change in legislation applicable for 2016/17 (the Accounts and Audit Regulations 2015).

Whilst new legislation still requires our 2016/17 audited Statement of Accounts to be submitted to the Council's Audit & Governance Committee (our appropriate body) for approval by 30<sup>th</sup> September 2017, a new requirement is for all Local Authorities to have a common thirty day public inspection which must include the first ten working days in July. There is no longer a requirement for our Audit & Governance Committee to review the draft accounts, instead I am required before the 30<sup>th</sup> June to certify that the draft Statement of Accounts give a true and fair view of the Council's financial position at 31<sup>st</sup> March and its income and expenditure for the year. For the 2017/18 accounts onwards, the statutory approval date moves forward to the 31<sup>st</sup> July of each year, with the requirement for me to certify that the draft Statement of Accounts give a true and fair view moving to 31<sup>st</sup> May each year.

With future requirements in mind, our 2016/17 Statement of Accounts have been prepared earlier than ever before, with the Statement of Accounts being available to our auditors, Grant Thornton, on 31<sup>st</sup> May 2017. Achieving this earlier deadline whilst 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 at 31<sup>st</sup> March 2017 followed by an explanation of the Financial Statements, including information on significant transactions during 2016/17.

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 to provide you with a wider overview of the financial position for the year ending 31<sup>st</sup> March 2017 and enable you to understand the key issues. It does this by providing an analysis of the budgeted and actual net expenditure for 2016/17 based on the management accounts, and then provides a summary of the key financial statements included within the statutory final accounts.

## Our Context

For most people in Gloucestershire outcomes are good and, if you look at the county as a whole, we have high levels of educational attainment and employment, good health and a high quality of life.

Nevertheless, we know that this is not everyone's experience, and that for those in greatest need, outcomes are much poorer. A significant number of people rely on the County Council and our partners to help to meet their needs and to live fulfilling lives. The number of vulnerable people is growing, creating more demand on Council services. This is because:

- The population is growing and people are living longer – The number of people in Gloucestershire aged over 85 whose day to day activities are limited a lot by long term illness and disability is predicted to rise by over a quarter by 2021.
- Medical advances – Children who are born with a disability are more likely to survive into adulthood and people can live much longer with a serious disability.
- Changes to community and family life – Families are more likely to live further away from each other than in previous generations. That makes it more difficult to care, for example, for an elderly parent who is beginning to struggle.
- Changing public expectations – The growth of the internet and social media mean that public services are much more visible to local people. The publicity surrounding a single incident somewhere in the country can increase demand for our services overnight. This is particularly true of those services that are concerned with keeping vulnerable children or adults safe.
- Despite its overall affluence, we have areas of Gloucestershire amongst the most deprived 10% in the country.

While much of this change is positive, it means that the circumstances in which our services were designed have changed radically. If we carry on trying to respond in the same ways, those services will become overwhelmed, cost more than we can afford, and give increasingly poor results for the people that rely on them.

Instead, we need a response that is suited to today's opportunities and challenges – one that fits with the way people live their lives, builds on the strengths of our communities and focuses the Council's resources where they can be most effective.

Services for children and families and vulnerable adults together make up well over half of the Council's 2016/17 spend. For this reason, we cannot afford to exclude them from the need to make savings in the future. We do believe that, by focusing relentlessly on outcomes, we can improve the way we support the most vulnerable people as well as reducing spending in these areas.

As a result of positive changes the Council is making the number of adults needing long-term support from the Council has not increased however the cost of providing care to meet the needs of these individuals is increasing. This places additional pressure on all our services.

In line with national trends, we are seeing higher demand for services for vulnerable children. The past year has seen an increase in the number of referrals to safeguarding services, an increase in the number of children who need our support and ultimately an increase in the number of children coming into our care.

There remains a commitment to keep Council Tax low and by unstintingly pursuing every opportunity to reduce costs, improving the efficiency of all of our services and focus on the things that make the most difference for local people.

Our overall approach has the following main areas:

## Active Individuals

Everyone can take steps to reduce the chances that they will need to rely on council support in future. By making healthy lifestyle choices, keeping active and planning for the future, people are less likely to end up needing our care and help.

Since launching this strategy, we have:

- Upgraded our People's Network PCs, making it easier for people to get online who don't have internet access at home.
- Introduced free Wi-Fi to all our libraries.
- Made improvements to specific areas of the Council's website to make it easier to access services online. This has included making it easier to book vans into our Household Recycling Centres, apply for school places and find out about Adult Education courses online.
- Launched a new mobile application to help people with a Learning Disability into employment.
- Mapped the county to identify all those places where members of the public can access the internet securely and safely and targeted training on those areas of the county with the lowest levels of internet use.

## Active Communities

With the help of family, friends and neighbours, most people manage without the council's support. Thousands of people across the county provide formal or informal care and without that support, the council would be completely unable to meet the demand for its services. Nevertheless, with an ageing population, the number of people who need help from the council is growing.

Since launching this strategy, we have:

- Providing over 300 grants to help people and communities to be active.
- Provided 60 grants for activities for children and young people.
- Agreed an 'Active Communities' policy with partners to make sure that we work together to harness the energy of local communities to help themselves and provide support for people at risk of becoming lonely or isolated.
- Agreed a new Integrated Risk Management Plan for our Fire and Rescue service, focussed on working with communities to prevent emergencies and keep vulnerable people safe.
- Launched a pilot scheme through the Fire and Rescue service where fire safety volunteers can offer fire safety assessments in people's homes.
- Carried out £925k worth of repairs and improvements to local roads through 228 Highways schemes promoted and prioritised by local members, with more planned for completion before the end of the financial year.

- Worked with local schools to make sure there are enough places for a growing population of children and young people.

## Getting People Back to Independence

When people need our help, following an accident, emergency hospital admission or other crisis in their lives, our focus will be on giving them support to help them back to independence.

### Since launching this strategy, we have:

- Continued to work closely with local hospitals to make sure that people are discharged as quickly as possible once their medical treatment is finished and they are ready to return home or move into another care setting.
- Put in place new Domiciliary Care services that focus on improving people's outcomes and, whenever possible, increasing their levels of independence.
- Replaced Statements of Special Educational Need with new Education, Health and Care plans based on a more rounded view of a child's needs.
- Introduced a completely new approach to helping vulnerable children and young people get to school, college or training to make sure that access to education is considered as part of the wider needs of the young person and their family and our support is targeted where it is most needed.
- Won an award from the Municipal Journal in recognition of the joint work between service users and our Disability Team in reviewing the quality of service provision.

## Being There When We're Needed Most

We want to be there for those who need us the most, even if that means making difficult decisions about what we can't afford to do.

### Since launching this strategy, we have:

- Maintained a focus on performance and quality in the face of increased demand for both adult and children's services.
- Reduced high levels of admissions to residential and nursing care, bringing us closer in line with similar areas.
- Recruited more social workers so that they have smaller caseloads and can provide better support.
- Secured £1.5m through the Department of Education's Innovations Programme to develop different ways of working with vulnerable young people to improve their outcomes and reduce risk.
- Implemented a transformation plan for Children's mental health with the Clinical Commissioning Group and other partners and piloted a schools-based approach to improving children's mental health.
- Strengthened the line management of adult social care teams to ensure a strong focus on achieving the best possible outcomes with our resources.

- Renegotiated some of biggest contracts with social care providers to ensure that we continue to secure the best possible value for money for our most vulnerable service users.
- Created a specialist team to purchase all placements to ensure that the Council gets the best possible value for money.
- Rolled out Electronic Call Monitoring to providers of Domiciliary Care for people with disabilities and older people to make sure that service users get the support they need, to provide extra reassurance to families and to help with the accurate processing of payments.

## Providing the Infrastructure for a Thriving Economy

Jobs, business and growth are crucial to the wellbeing of Gloucestershire people. As a Council we will continue to work hard to support Gloucestershire businesses and employers.

### Since launching this strategy, we have:

- Continued to roll out superfast fibre broadband to nearly 90% of local homes and secured a further £2m of funding from Government for the next phase.
- Won Large Project of the Year award at the Institute of Highway Engineers West Mercia Awards for our work on improvements to the 'Cheltenham and Gloucester' and 'Walls' roundabouts.
- Continued to invest at least £2.1m a year in flood alleviation measures.
- Achieved full planning permission and agreed to project manage the Cinderford Northern Quarter road.
- Started work on the Elmbridge roundabout project with work scheduled to be completed by Autumn 2017.
- Attracted over £4m in Government funding and negotiated a deal with the Police and Crime and Commissioner that will unlock the regeneration of the Blackfriars area of Gloucester City Centre and the refurbishment of Shire Hall.
- Begun to introduce LED street lighting across the County, which will reduce the Council's carbon footprint and save £22m over the next 12 years.
- Continued to cash-protect the county's roads whilst saving money through the efficiencies and opportunities offered by our new Highways contract



## 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.

Since launching this strategy, we have:

- Delivered almost £42m in savings
- Rolled out new ICT through the Worksmart programme to support flexible working across the Council's workforce and provide opportunities to reduce the amount of office space needed.
- Continued to generate revenue savings through the sale of Council property that is no longer needed.
- Established a new partnership with Gloucester City Council to share services.

## 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 27<sup>th</sup> February and 23<sup>rd</sup> of March. The overall outcome of the inspection was that children's services in Gloucestershire are inadequate. Ratings were also given for specific areas:

- Children who need help and protection - inadequate
- Children looked after and achieving permanence – requires improvement
- Adoption performance – good
- Experience and progress of care leavers – requires improvement
- Leadership, management and governance – inadequate

Following the Inspection we have undertaken an immediate review of the senior leadership team within Children's Services and have appointed interim Directors to start to address the failings within our safeguarding services. The Council recognises that we need to put the building blocks in place to address the challenges in the Ofsted report and achieve sustainable change into the long term. We are working closely with the Department of Education and the Local Government Association to develop our Improvement Plan.

It is evident that we do have some good and improving services and these have been recognised by Ofsted. We must build on our track record in these areas to ensure all of the support we provide to children and young people is the best it can be.

Ofsted is also positive about the leadership that has come from senior councillors, and have acknowledged the £9.2million investment the council is putting into this area of work.

## Overall

Our approach universally focuses on making a difference for local people. We recognise that not only is this approach a significant change in the way the Council thinks and works, but also that it has implications for Council partners, local communities and service users. In particular, we are working jointly with the Gloucestershire Clinical Commissioning Group (GCCG) to ensure that our strategies align and a number of the objectives within this strategy are shared objectives that are also reflected in GCCG's draft Sustainability and Transformation Plan.

## Council Strategy

The Council's vision, values, aims and medium term priorities identified above are brought together in a single Council Strategy. The Council Strategy sets out the longer term aims and ambitions for Gloucestershire and outlines the priorities and programmes which underpin these aims. A copy of the Strategy can be found on our website at <http://www.gloucestershire.gov.uk/council-and-democracy/corporate-plans-and-strategies/the-council-strategy-2015-18/>

## People

The way in which the Council delivers its services continues to change and has led to the Council becoming a smaller organisation and adopting different ways of working. As a result we continue to evolve our approach to the way our employees deliver and commission services and to the way we work.

### Workforce Headcount

On the 1 October 2015, 3,881 individuals were employed by Gloucestershire County Council. In addition to those included in our headcount figures published on the transparency pages of our website, this number also includes employees from the Gloucestershire Fire and Rescue Service on a permanent or fixed term basis and those engaged on a casual basis where a mutuality of obligation exists.

Our 'Meeting the Challenge Strategy' 2011-2015 (and the current version of MTC2 Together We Can 2015-2018) outlined the financial savings required by the authority, and has resulted in considerable workforce down-sizing and organisational change. We took positive steps to minimise reductions through redundancies, including:

- Reducing senior management
- Managing vacancies, only filling vacant posts that are essential and via the redeployment pool whenever possible
- Offering flexible working arrangements which would reduce the overall pay costs.

## 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.

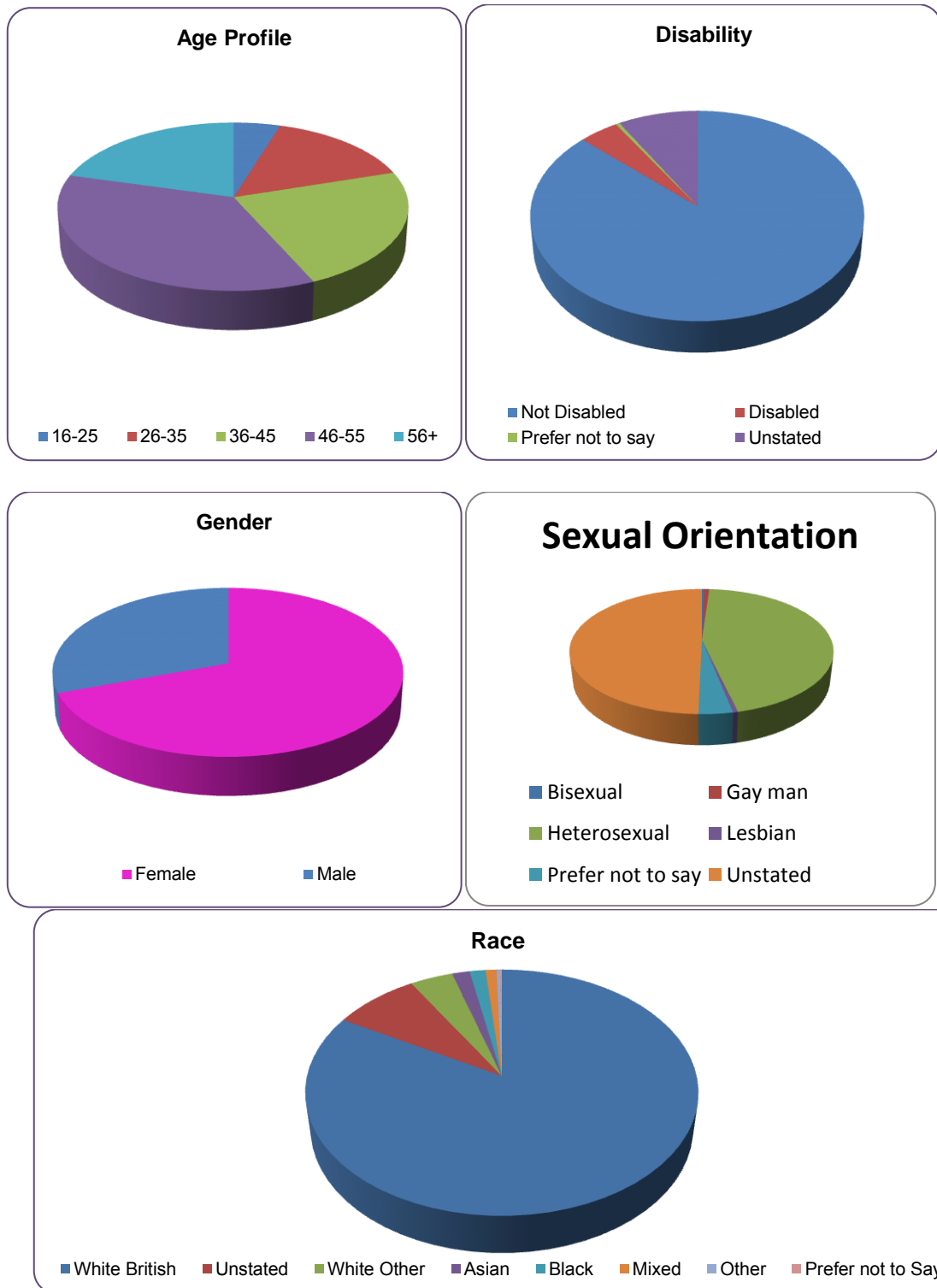
## Benchmarking and Sharing Good Practice

We continue to lead the Countywide Equalities Workforce Network, working in partnership with other public and private sector organisations. This group meets to address issues relating to each protected characteristic. The terms of reference for this network are:

- To act as a forum to share good practice with partner organisations in promoting equality and diversity in the workplace
- Disseminating good practice and information about policies and procedures relating to equality and diversity
- Encouraging collaborative working across members in relation to equality and diversity
- Facilitate good communication on equality and diversity issues across the county and surrounding areas
- Working in a complimentary manner with other forums and where appropriate develop synergies to help widen influence and consolidate equality outcomes.

It is intended to further encourage more private, voluntary and private sector organisations to become members of the forum over the next year, and to continue to monitor the effectiveness of the group in promoting best practice in equalities across the county.

The Council's staffing profile 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.

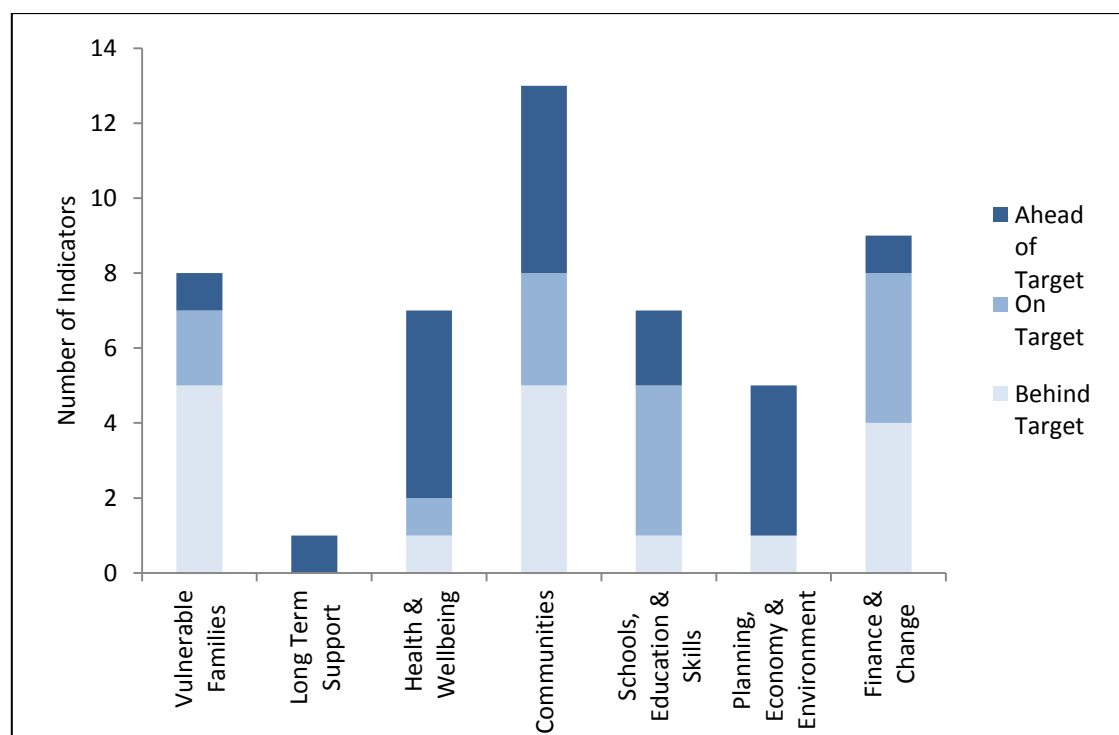


Further information from the Council's 2015/16 Workforce Equalities Report can be found on the Council's website at:

[http://www.gloucestershire.gov.uk/media/2253/2015-16\\_gcc\\_workforce\\_equalities\\_report\\_-\\_final-65348.pdf](http://www.gloucestershire.gov.uk/media/2253/2015-16_gcc_workforce_equalities_report_-_final-65348.pdf)

## STRATEGIC PERFORMANCE

The graph below shows progress against our strategic outcomes using the core dataset from our Council Strategy. These reflect our priorities based on what really matters to people living in Gloucestershire.



The performance trend over the last 12 months has been a positive one, with indicators on or above averaging 67% compared with 60% in 2015/16. At the end of quarter 4, 64.7% of indicators were on or ahead of target.

Despite the pressure of increased demand on key services and the need to achieve significant savings, the Council has kept within its budget for 2016/17. We have saved around £22.1 million in 16/17 against a very challenging target of £23.2m. The biggest shortfall is in the area of adult social care where, broadly speaking, we are managing to maintain demand at existing levels and achieve some reductions in cost, but not seeing demand reduce significantly as a result of our preventative work. Plans for this, and other areas, are being reviewed and revised in order to ensure that we continue to address the anticipated shortfall and live within our means.

Working closely with other public sector partners, we have continued to rationalise the Council's estate and reduce the number of separate offices in use. At the end of year two of a three year programme £40.7 million has been achieved in asset sales of the £60 million target for the overall programme.

Although we missed our target for sickness/absence, overall levels are comparable to last year. Sickness levels, were generally lower than 2015/16, however a spike in sickness in December 2016, which was experienced nationally have affected the final results. Targeted interventions are in place for those teams where levels are high. We will continue to monitor this closely over the coming year to make sure that these are working.

Waste performance has improved in 16/17 largely due to improvements to collection services, in particular in Stroud and the Forest of Dean. The percentage of waste landfilled has reduced by 5% compared with 12 months ago as a result.

Further information from the Council's Performance Report can be found on the Council's website at:

<http://glostext.gloucestershire.gov.uk/documents/s38670/Item%207%20Strategic%20Performance%20Report%20Q4%202016-17.pdf>

## FINANCIAL PERFORMANCE

### Economic climate

Since 2011 Gloucestershire County 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. In November 2016 the Autumn Statement set out the strategic direction for public expenditure. This outlined a number of significant changes to the local government funding regime which will have a significant impact on the Council's finances over time. These include:

- Continuing to provide local authorities with the power to levy an increase on Council Tax to fund social care, with the option to increase this to 3% over two years or 2% over three years. Gloucestershire has continued with the 2% option and this equates to an additional £5.0 million of revenue for 2017/18;
- A commitment that local government will retain 100% of business rate revenues to fund local services. In addition local areas will have more discretion on the setting of Business Rates. The earliest these reforms are likely to be implemented is 2020;
- Greater flexibility for local authorities to use capital receipts to fund the revenue costs of business transformation projects;
- Additional money has been provided for Social Care with a specific targeted one off grant worth £2.5 million to the Council in 2017/18, and central government also announced in the Spring Budget 2017 an additional £2bn for social care over the next three years. The allocation for Gloucestershire is £10.6 million in 17/18, £7.2 million in 18/19 and £3.6 million in 19/20.
- Stage 2 of the consultation on the proposed introduction of a National Funding Formula for schools to start in 2018/19 ended on the 22nd March 2017. This second stage of the consultation was seeking views on the detailed design of the formula and built on the earlier consultation that was launched in March 2016 on the principles and structure. The Government's response to the consultation is due to be published in Summer 2017.

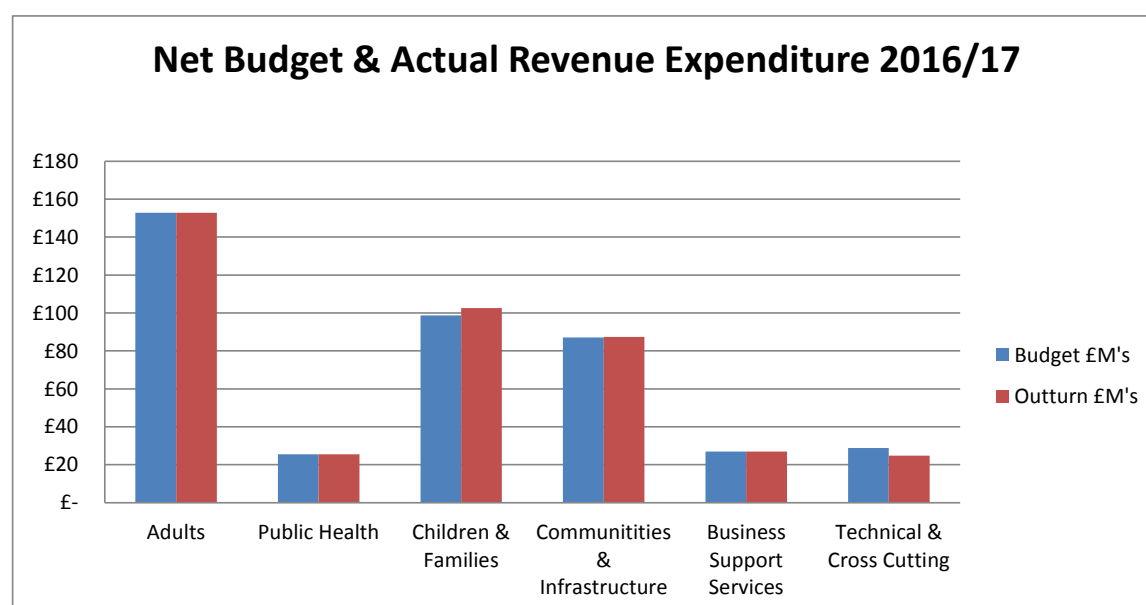
## Revenue Budget and Outturn Position

The approved budget for 2016/17 was £420.06 million which represented an increase in cash terms of £0.027 million, compared with 2015/16. Under this budget Council Tax increased by 1.99% and an additional 2% National Social Care Precept was applied, taking the overall increase to 3.99%.

The 2016/17 budget was the second year of the three year MtC2 – Together We Can programme covering the financial years 2015/16 to 2017/18. Over this period savings will be delivered to address year on year funding reductions and fund unavoidable cost increases.

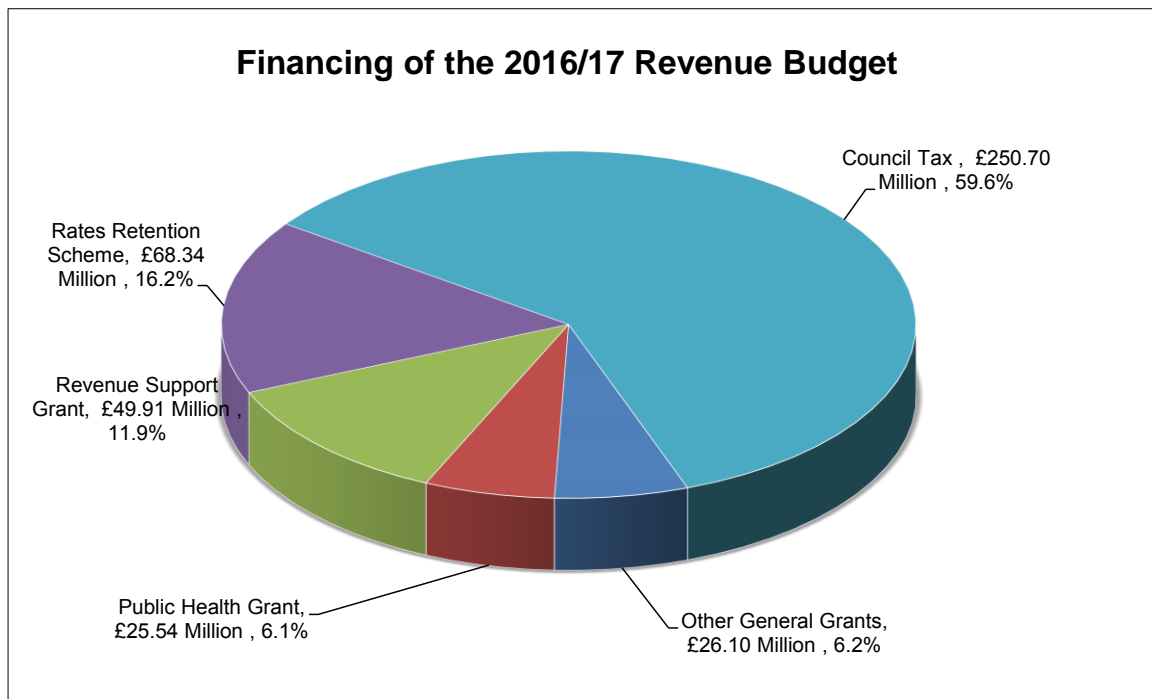
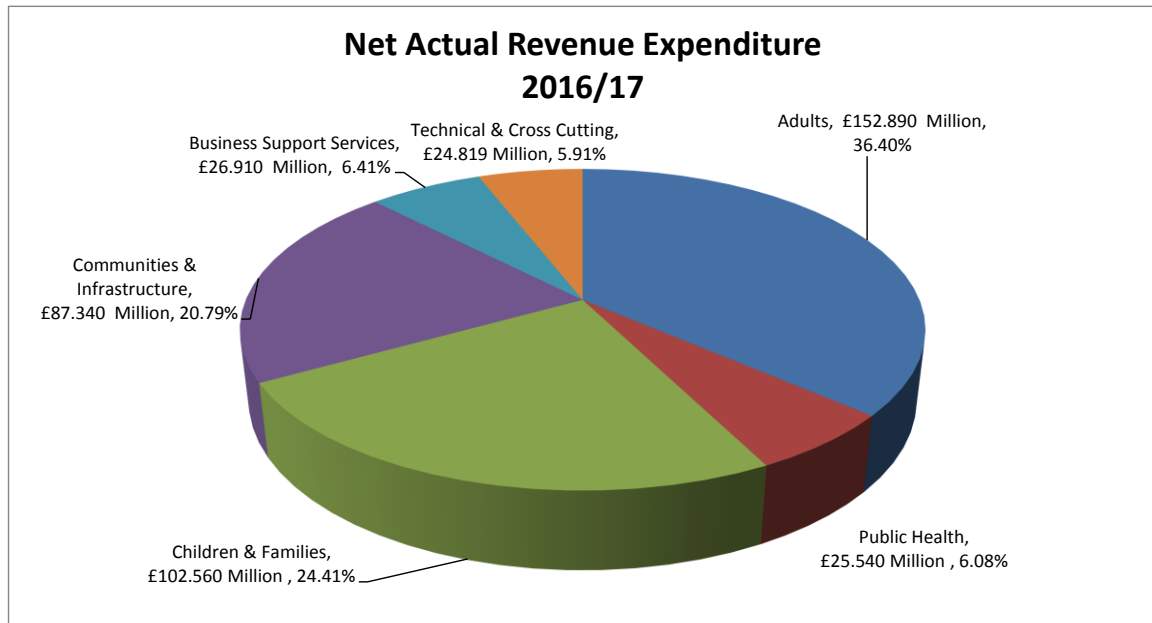
The revenue budget strategy for 2016/17 was to continue to maximise the delivery of efficiencies as early as possible. The Council is committed to robustly controlling budgets, has increased debt repayment and is continuing to streamline back office services, all of which contribute to protecting front 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 51), the 2016/17 outturn position was a balanced budget position. 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 2017, which is available on the Council's website at: <http://glostext.gloucestershire.gov.uk/documents/s38637/Item%205%20-%20Revenue%20and%20Capital%20Expenditure%202016-17%20Cabinet%20FINAL%2026th%20May%2017.pdf>

The outturn position for 2016/17 again provides a clear indication of the Council's strong financial stewardship during the year, with net expenditure being contained within budget while delivering over £22.1 million of savings in 2016/17. 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 are where money is set aside to fund future expenditure plans or reduce taxation. Full details of all usable reserve movements in 2016/17 are shown in note 2 on page 51 of the accounts, with the summary position outlined below:

<b>Type of Revenue Reserves</b>	<b>Balance at 1<sup>st</sup> April 2016 £ Millions</b>	<b>Balance at 31<sup>st</sup> March 2017 £ Millions</b>
Earmarked Revenue Reserves – Non Schools	106.866	112.689
Earmarked Reserves – Schools	31.112	24.483
General Fund Balances	19.848	19.848
<b>TOTAL REVENUE RESERVES</b>	<b>157.826</b>	<b>157.020</b>

Overall total usable revenue reserves decreased by £0.806 million during the year.

### Non-School Earmarked Reserves

Non schools earmarked usable revenue reserves have increased by £5.82 million (5.4%) during the year, from £106.87 million at the start of the year to £112.69 million at the end of the year.

### Schools Earmarked Reserves

Total earmarked reserves relating to Schools decreased by £6.6 million during the year.

The main reasons for this decrease were:

- A decrease on School Balances of £4.14 million, largely due to lower revenue balances being held by schools, lower capital balances and removal of balances relating to 2 academy conversions.
- A net decrease in the other school related reserves due mainly to an increase in costs associated with Independent special schools fees.

### General Reserves

General Reserves totalled £19.85 million at the end of 2016/17, 4.7% of the net revenue budget for 2016/17, within the target range of between 4% and 6% of the net budget. This level of reserves equates to only six working days of average gross expenditure, or twelve working days based on net expenditure.

## Capital Reserves

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

Type of Capital Reserves	Balance at 1 <sup>st</sup> April 2016 £ Millions	Balance at 31 <sup>st</sup> March 2017 £ Millions
Capital Grants & Contributions Unapplied Reserves	44.151	46.017
Capital Receipts Unapplied Reserve	21.375	32.371
<b>TOTAL CAPITAL RESERVES</b>	<b>65.526</b>	<b>78.388</b>

The total capital reserves have increased by £12.86 million (19.6%) during the year, from £65.53 million at the start of the year to £78.39 million at the end of the year. The increase is mainly due to an increase of £11million of unapplied capital receipts, all generated during 2016/17 and fully committed to funding the Council's approved capital programme.

Full details and explanations of all reserve movements can be found in the detailed outturn report submitted to Cabinet in June 2017, which is available on the Council's website at:

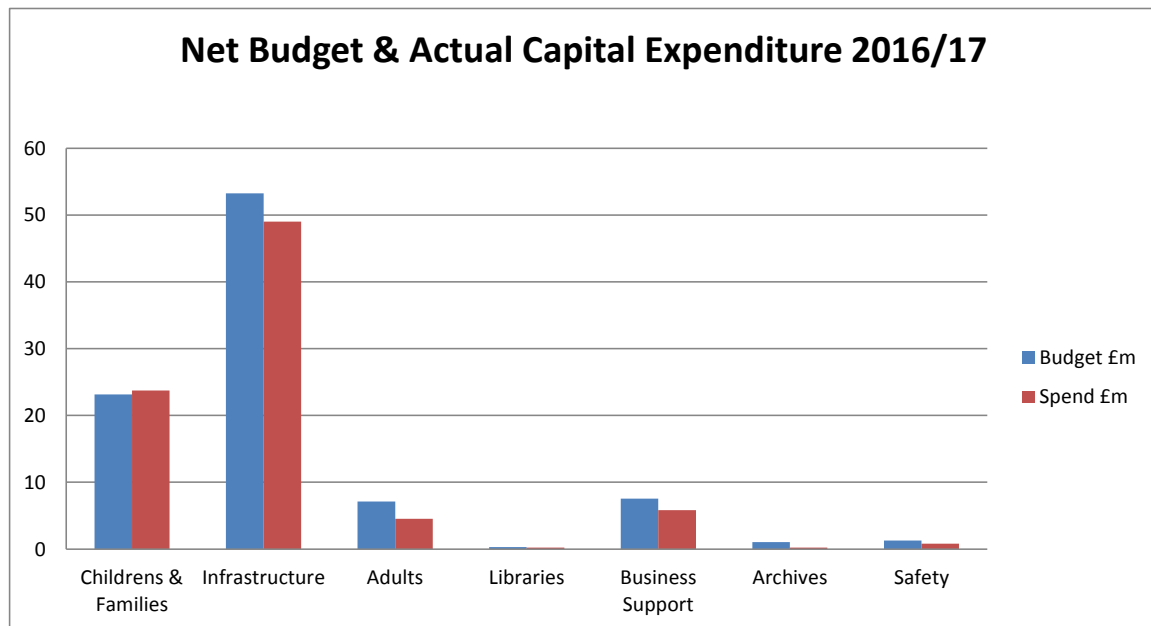
<http://glostext.gloucestershire.gov.uk/documents/s38637/Item%205%20-%20Revenue%20and%20Capital%20Expenditure%202016-17%20Cabinet%20FINAL%2026th%20May%2017.pdf>

## 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 2016/17, thereby avoiding the need for new borrowing.

The capital budget for 2016/17 totalled £93.65 million. Actual expenditure during the year was £84.65 million, giving an in-year under-spend of £9.00 million. This is purely in-year slippage, which will mainly be spent in 2017/18 rather than in 2016/17. 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:

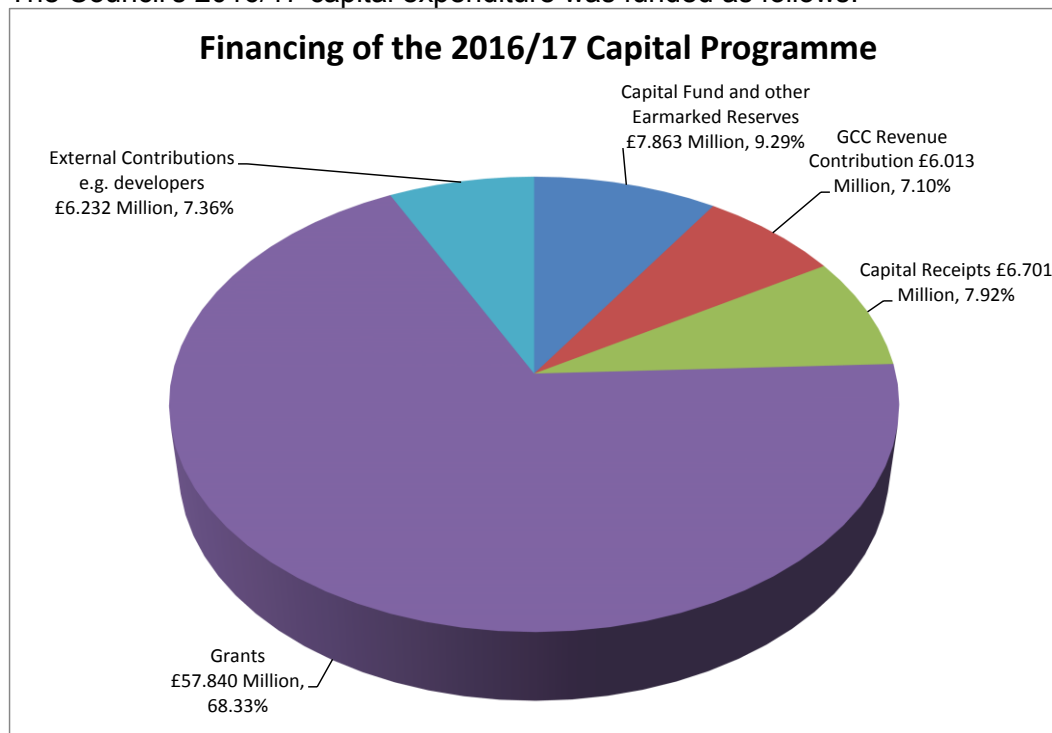


\* Other Services includes Libraries and Archives, Safety and expenditure on surplus assets prior to disposal.

Full details and explanations of the capital outturn position can be found in the detailed outturn report submitted to Cabinet in June 2017, which is available on the Council's website at:

<http://glostext.gloucestershire.gov.uk/documents/s38637/Item%20%20-%20Revenue%20and%20Capital%20Expenditure%202016-17%20Cabinet%20FINAL%2026th%20May%2017.pdf>

The Council's 2016/17 capital expenditure was funded as follows:



The Government financial regulations require local authorities to charge a Minimum Revenue Provision (MRP) each year as a proxy for capital repayments. For 2016/17 the MRP for the Council was £8.75 million.

Debt redemption remains a priority of the Council. At 31st March 2017 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £308.8 million, a reduction of £8.75 million compared with the position at the end of 2015/16.

## 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:

- Statement of Accounting Policies on pages 23 to 38.
- Comprehensive Income & Expenditure Statement on page 43.
- Movement in Reserves Statement on page 44 to 45.
- Balance Sheet position on page 46 setting out the Council's financial position as at 31st March 2017.
- Cash Flow Statement on page 47 summarising the inflows and outflows of cash.
- Notes to the accounts, which summarise and provide further information on the financial activities of the Council on pages 48 to 100.
- Gloucestershire Pension Fund Accounts are on pages 101 to 135, 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 136.

The Strategic Finance Director, 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:

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

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

**Movement in Reserves Statement** - (page 44) shows the movement during the 2016/17 financial year on the different reserves held by the Council, analysed into useable reserves and other unusable reserves:

- Usable reserves are where money is 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 decrease in the Council's reserves during 2016/17 is £3.483 million, an increase of £12.056 million in useable reserves and a decrease of £15.539 million in unusable reserves. The decrease in unusable reserves is mainly due to an increase of £113.277 million in long term liabilities for defined benefit pension schemes, explained in below, which is a liability that does not need to be met within the next year, but over the lifetime of scheme members. This has been offset by an unrealised gain in the valuation of long term assets of £77.601 million.

**Comprehensive Income & Expenditure Statement (CIES)** - (page 43) 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 surplus on the provision of services for 2016/17 was £19.5 million, which is shown in the movement in reserves statement, compared to a surplus of £24.8 million in 2015/16. The reason for this change is mainly due to a gain on the disposal of non current assets.

The £19.5 million surplus on the provision of services for 2016/17 represents the accounting surplus on the provision of services in accordance with International Financial Reporting Standards (IFRS).

Following transfers to reserves of the in year under-spend of £3.195 million, the outturn break-even budget position for 2016/17 indicates that there has been no movement on the general fund balance during the year, which may be more relevant for the Council's stakeholders than the Comprehensive Income & Expenditure Statement, 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.

**Balance Sheet** - (page 46) shows the value of the assets and liabilities recognised by the Council as at 31<sup>st</sup> March 2017. The balance sheet of the Council shows net assets of £378.2 million, which is matched by reserves (as set out in the Movement in Reserves Statement). This represents a decrease of £3.5 million from the 2015/16 position.

A decrease in net assets is largely due to:

- the increase of £113.3 million in long term liabilities for defined benefit pension schemes, which is a liability that does not need to be met within the next year, but over the lifetime of scheme members.
- an increase in investments held (including cash and cash equivalents, short and long term) of £30.0 million
- an increase in the value of Property Plant & Equipment of £86.6 million, reflecting valuation changes, and capital additions
- reduction in the short term debtors of £2.9 million
- an increase in the provisions held by the Council of £2.1 million;

**Cash Flow Statement** - 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.
- 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 69).

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 69). During the year the cash and cash equivalent decreased from £110.2 million at the beginning of the year to £93.6 million at the end of the year. This decrease of £16.6 million in cash balances is largely due to investing in longer term deposits at year end, as detailed in note 9, page 62.

## Principal Risks and Uncertainties

Detailed information on our strategic risks is provided in the Strategic Performance Report 2016/17 presented to Cabinet on 19th June 2017. At the end of 2016/17, the following risks are rated as high:

- Reductions and changes to future funding in 2017/18 and 2018/19, and risks and uncertainties relating to NHS funding make it impossible to set a robust and deliverable budget without impacting significantly on Core Services.
- The risk of failure to protect the Council's key information and data as a result of exploited technological vulnerabilities facilitated through malicious attack (internal and external).
- The risk of ICT technology failure impairing the Council's ability to communicate.
- Ineffective commissioning processes and capacity result in the Council being unable to achieve its strategic objectives.

- The risk of failure to protect Children and Young People from abuse or neglect that could have been prevented or predicted.
- Failure to meet service standards for Children's Services results in poor inspection results, impacting on the ability to meet statutory requirements, reputation and intervention
- Educational outcomes for vulnerable groups of Children & Young People worsen and the gap widens because of Schools and Academies not meeting their responsibilities to vulnerable groups and accelerating costs of specialist provision.
- The risk of failure to deliver the 'Prevent' strategy (for preventing violent extremism) impacting on residents, businesses of Gloucestershire.
- The risk of failure to protect the confidentiality, integrity and availability of information. The Council continues to monitor incidents and breaches closely.
- Failure to deliver outcomes of the Prevent Strategy impacting on the Councils reputation due to exposure in national media.
- Implications of the Policing and Crime Bill impacting on the Fire & Rescue Service and County Council
- Emergence of the Community Infrastructure Levy (CIL)

## 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 increased by 18.2%, from £623.4million at the start of the year to £736.7 million at the year end. This is due to the changed financial assumptions, primarily a decreased yield on corporate bonds compared to the previous year. The yield on corporate bonds determines the discount rate which is used to calculate the estimated present value of these pension liabilities and the discount rate this year has decreased by 0.9% (from 3.5% to 2.6%). The lower the discount rate used, the higher the estimated present value of pension liabilities. Further information can be found in note 32, page 88.

## Investment Activity & Borrowing

During 2016/17 treasury management has been conducted according to the Policy Statement approved by the County Council in February 2016. In accordance with this strategy 194 investments were made during the year, at a value of £812 million. Total interest earned on in house deposits was £3.8 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. At 31st March 2017 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £308.8 million, a reduction of £8.8 million compared with the position at the end of 2015/16.

## The Future

We are:

- working within the Council and with local schools to understand and prepare for the proposals set out in the Government's education white paper
- working through Government proposals for 100% Business Rates Retention.
- implementing the five-year Sustainability and Transformation Plan for Gloucestershire with the Clinical Commissioning Group. The plan shows how we intend to make sure that local services are sustainable over the next 5 years.

## Conclusion

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

### ***Additional Information***

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



**Jo Walker**  
**Strategic Finance Director & Section 151 Officer**



## 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 2016/17 financial statements, are described in the following Accounting Policies.

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31<sup>st</sup> March 2017. The accounts have been prepared in accordance with the *Code of Practice on Local Council Accounting in the United Kingdom* 2016/17 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. Such sums due or payable at year-end are included as debtors and creditors and are estimated where the exact amount is not known. Exceptionally, in some cases actual payments are brought into account as they arise rather than being strictly apportioned between financial years e.g. electricity and gas charges. The effect on the income and expenditure account is not material. Non cheque book schools are accounted for on a cash basis.

### Basis for Redemption of Debt

The Council has historic debt from financing a proportion of its capital investment through raising loans. In accordance with the Local Authorities Capital Financing and Accounting Regulations 2003 as updated, the Comprehensive Income and Expenditure Statement has been charged with an amount that is sufficient to redeem a specified statutory percentage of outstanding debt. The statutory figure is called the Minimum Revenue Provision (MRP). The Council charge 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 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 contribution in the General Fund Balance, known as the Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **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.

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

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

Adjustment will be made for events after the balance sheet date that provides evidence of the conditions that existed at the balance sheet date. 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 accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

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

### **Post Employment Benefits**

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

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

- The Local Government Pensions Scheme,
- The Firefighter's Pensions Scheme,
- The New Firefighter's Pension Scheme,
- The Teachers' Pension Scheme, and
- 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 1997 and 2007/2008, as amended and a separate annual audit is carried out by the appointed external auditors.

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

**Firefighter's Pension Schemes**

The Firefighter schemes are unfunded defined benefit final salary schemes administered by the Council. There are no assets built up to meet the pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due. Annual pension costs are met from defined employee contributions and charges to the Fire and Rescue Service revenue account. The accounting for 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 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 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 initially measured at fair value and carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

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

### Financial Assets

Financial assets are classified into two types:

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

### Loans and Receivables

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

**Available for Sale Assets**

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with accumulated gains or losses previously recognised in the available for sale reserve. Where fair value cannot be measured reliably the instrument is carried at cost less any impairment losses.

**Foreign Currency Translation**

The Council does not generally deal in transactions dominated 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**

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

### **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.

### **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 the start of the lease 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.

#### *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 a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

#### **Overheads and Support Service Costs**

These costs are charged to service areas using a variety of apportionment bases appropriate to the particular service provided, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2016/17 (SeRCOP). The two cost categories identified under SeRCOP that are not charged out to service are Corporate and Democratic Core Costs and Non Distributed Costs. These are accounted for under separate headings within the Comprehensive Income and Expenditure Statement.

#### **Property, Plant and Equipment (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 County Council's PPE is undertaken using a two-year rolling programme. 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 in accordance with the Code, following the adoption of IFRS 13.

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 where appropriate.
- 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 County 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-minimis of £1m per asset), the components are depreciated separately. The Council has identified 4 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 and communications), 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.
- 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 building 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 1<sup>st</sup> 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; and
- 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'; and
- 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.

The Council's school numbers are shown below. Two maintained schools have converted to academies during 2016/17 resulting in a total net book value of £4.6 million removed from the Balance Sheet. The two schools were Berkeley Primary & Lakefield Primary.

<b><u>Number of Schools</u></b>	
<b><u>Maintained Schools included in the Fixed Asset Register</u></b>	
Alternate Provision Schools	4
Community Mainstream Schools	92
Community Special Schools	9
Foundation Schools	22
Voluntary Aided Schools	41
Voluntary Controlled Schools	54
<b>Total on Balance Sheet</b>	<b>222</b>
<b><u>Academies and Free Schools not included in the Fixed Asset Register</u></b>	
Academies Sponsor Led	13
Academy Converters	62
Academy Special Schools Sponsor Led	3
Free Alternate Provision Schools	1
Free Schools	1
<b>Total off Balance Sheet</b>	<b>80</b>
<b>Total Maintained Schools, Academies and Free Schools</b>	<b>302</b>

### **Private Finance Initiative (PFI) scheme**

PFI contracts are agreements to receive services, where responsibility for making available the 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 Council at the end of the contract. The Council carries the PPE used under the contracts on the Balance Sheet.

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, and
- b) Payment for the PFI asset, including finance costs.

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.

### **Provisions**

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

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.

### **Reserves**

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

### **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation or enhancement of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account 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. None are considered to have a material impact on the current year's accounts.

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

These standards will be incorporated into the Code from 2017/18 and will be complied with by the Council. It is anticipated that these changes will not have a material impact for the Council during 2016/17 and none warrant specific disclosure in these accounts.

## **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.

- The Council joined Ubico, a wholly owned not for profit Teckal company in August 2016. This company provides a range of environmental services across Gloucestershire and each of the 7 member councils are equal shareholders. The Council has considered whether group accounts are required, and our conclusion is that Ubico represents a separate vehicle, and when considering joint arrangements under IFRS12 the Council's assessment is that there is no evidence of joint control. In terms of whether the Council has significant influence in the company it is concluded that our interest is below the 20% threshold due to their being 7 equal partners. The Council's judgement is that there is no indication that the Council has a significant level of control over the strategic direction and operation of Ubico and therefore group accounts are not needed. The Council has accounted for the cost incurred in operating a service contract with Ubico and also the interest the Council has as a Shareholder, however the Council's statements do not reflect any interest in assets or liabilities that we have in the company.

### **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.



## Statement of Responsibilities

The Council is required to:

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

### The Strategic Finance Director Responsibilities

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

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

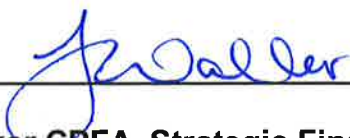
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority CODE.

The Strategic Finance Director has also:

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

### Certification

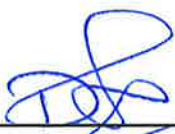
I certify that the Statement of Accounts 2016/17 gives a true and fair view of the financial position and Income and Expenditure account of Gloucestershire County Council for the year ended 31<sup>st</sup> March 2017.



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**Jo Walker CPFA, Strategic Finance Director**  
**28<sup>th</sup> July 2017**

The Audit Committee on behalf of the County Council approved the Statement of Accounts on 28<sup>th</sup> July 2017.



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**Councillor David Norman, Vice Chairperson**  
**28<sup>th</sup> July 2017**

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

We have audited the financial statements of Gloucestershire County Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 5. 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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.

### **Respective responsibilities of the Strategic Finance Director and auditor**

As explained more fully in the Statement of Responsibilities, the Strategic Finance Director (Chief Financial Officer) 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Finance Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired

by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

### **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

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

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act 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. We are satisfied that these matters do not have a material effect on the financial statements.

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 2017. 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 Act and the Code of

Audit Practice. In addition, we cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2017 in accordance with the requirements of the Act and the Code of Audit Practice 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 2017. We are satisfied that this work does not have a material effect on the financial statements.
- We have completed our consideration of an objection brought to our attention by local authority electors under Section 27 of the Act. We are satisfied that this matter does not have a material effect on the financial statements.

***Elizabeth Cave***

Elizabeth Cave  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

28 July 2017

# Comprehensive Income and Expenditure Statement

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

31 <sup>st</sup> March 2016				31st March 2017		
Expenditure	Income	Net		Expenditure	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Gross Expenditure, Gross Income and Net Expenditure of Continuing Operations</b>			
227,614	-77,281	150,333	Adults	223,522	-67,507	156,015
24,142	-24,227	-85	Public Health	26,440	-25,629	811
401,282	-294,499	106,783	Children & Families	422,783	-292,904	129,879
130,463	-16,044	114,419	Communities & Infrastructure	128,368	-17,411	110,957
40,321	-7,888	32,433	Business Support Services	36,152	-8,035	28,117
-23,965	-	-23,965	Business Support Recharges	-24,101	0	-24,101
21,772	-4,071	17,701	Technical & Corporate	14,589	-439	14,150
<b>821,629</b>	<b>-424,010</b>	<b>397,619</b>	<b>Cost Of Services</b>	<b>827,753</b>	<b>-411,925</b>	<b>415,828</b>
294	-	294	Levies Payable	400	-	400
-	-11,332	-11,332	Gain/Loss on disposal of non current assets	-	-6,690	-6,690
<b>294</b>	<b>-11,332</b>	<b>-11,038</b>	<b>Other Operating Expenditure</b>	<b>400</b>	<b>-6,690</b>	<b>-6,290</b>
17,846	-	17,846	Interest Payable on Debt	17,342	-	17,342
23,770	-	23,770	Net interest on the net defined benefit liability (Asset)	21,684	-	21,684
	-3,467	-3,467	Investment Interest income	-	-3,753	-3,753
<b>41,616</b>	<b>-3,467</b>	<b>38,149</b>	<b>Financing and Investment Income and Expenditure</b>	<b>39,026</b>	<b>-3,753</b>	<b>35,273</b>
-	-47,500	-47,500	Recognised Capital Grants and Contributions	-	-65,938	-65,938
-	-236,027	-236,027	Council Tax	-	-250,140	-250,140
-	-69,449	-69,449	National Non Domestic Rates	-	-68,835	-68,835
-	-67,456	-67,456	Revenue Support Grant	-	-49,905	-49,905
-	-25,780	-25,780	Non Service Related Government Grants	-	-25,445	-25,445
-	-3,268	-3,268	Fire Pensions Top Up Grant	-	-4,076	-4,076
-	<b>-449,480</b>	<b>-449,480</b>	<b>Taxation and Non-Specific Grant Income</b>	-	<b>-464,339</b>	<b>-464,339</b>
<b>863,539</b>	<b>-888,289</b>	<b>-24,750</b>	<b>Surplus (-) or Deficit on Provision of Services</b>	<b>867,179</b>	<b>-886,707</b>	<b>-19,528</b>
7,328	-20,923	-13,595	Revaluation Gains (-)/Losses (Note 13)	22,698	-100,299	-77,601
-	-659	-659	Surplus or Deficit on Revaluation of Available for Sale Financial Assets (Note 13)	538	-	538
-	-141,658	-141,658	Remeasurement of the net defined benefit liability (Asset)	100,074	-	100,074
<b>7,328</b>	<b>-163,240</b>	<b>-155,912</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>123,310</b>	<b>-100,299</b>	<b>23,011</b>
<b>870,867</b>	<b>-1,051,529</b>	<b>-180,662</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>990,489</b>	<b>-987,006</b>	<b>3,483</b>

## Movement in Reserves Statement

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

<b>Movement in Reserves 2015/16</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Restated Balance at 31st March 2015 carried forward</b>	<b>19,848</b>	<b>122,864</b>		<b>51,823</b>	<b>194,535</b>	<b>6,463</b>	<b>200,998</b>
<b><u>Movement in reserves during 2015/16</u></b>							
Surplus or Deficit (-) on Provision of Services	24,750	-	-	-	24,750	-	24,750
Other Comprehensive Expenditure and Income	-	-	-	-	-	155,912	155,912
<b>Total Comprehensive Expenditure and Income</b>	<b>24,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,750</b>	<b>155,912</b>	<b>180,662</b>
Adjustments between accounting basis & funding basis under regulations (Note 1)	-9,636	-	21,375	-7,672	4,067	-4,067	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>15,114</b>	<b>-</b>	<b>21,375.00</b>	<b>-7,672</b>	<b>28,817</b>	<b>151,845</b>	<b>180,662</b>
Transfers to/from Earmarked Reserves	-15,114	15,114			-	-	-
<b>Increase/Decrease in 2015-16</b>	<b>-</b>	<b>15,114</b>	<b>21,375</b>	<b>-7,672</b>	<b>28,817</b>	<b>151,845</b>	<b>180,662</b>
<b>Balance at 31st March 2016</b>	<b>19,848</b>	<b>137,978</b>	<b>21,375</b>	<b>44,151</b>	<b>223,352</b>	<b>158,308</b>	<b>381,660</b>

<b>Movement in Reserves 2016/17</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31st March 2016 carried forward</b>	<b>19,848</b>	<b>137,978</b>	<b>21,375</b>	<b>44,151</b>	<b>223,352</b>	<b>158,308</b>	<b>381,660</b>
<b><u>Movement in reserves during 2016/17</u></b>							
Surplus or Deficit (-) on Provision of Services	19,528	-	-	-	19,528	-	<b>19,528</b>
Other Comprehensive Expenditure and Income	-				-	-23,011	<b>-23,011</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>19,528</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,528</b>	<b>-23,011</b>	<b>-3,483</b>
Adjustments between accounting basis & funding basis under regulations (Note 1)	-20,334	-	10,996	1,866	-7,472	7,472	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-806</b>	<b>-</b>	<b>10,996</b>	<b>1,866</b>	<b>12,056</b>	<b>-15,539</b>	<b>-3,483</b>
Transfers to/from Earmarked Reserves	806	-806			-	-	-
<b>Increase/Decrease in 2016/17</b>	<b>-</b>	<b>-806</b>	<b>10,996</b>	<b>1,866</b>	<b>12,056</b>	<b>-15,539</b>	<b>-3,483</b>
<b>Balance at 31st March 2017</b>	<b>19,848</b>	<b>137,172</b>	<b>32,371</b>	<b>46,017</b>	<b>235,408</b>	<b>142,769</b>	<b>378,177</b>

## 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 1st April 2016 £'000		Notes	As at 31 <sup>st</sup> March 2017 £'000
1,097,134	Property Plant and Equipment	3	1,183,711
894	Heritage Assets	3	894
4,711	Assets under Construction	3	10,702
541	Intangible Assets		402
87,324	Long Term Investments	5	129,589
11,278	Long Term Debtors	5	26,126
<b>1,201,882</b>	<b>Long Term Assets</b>		<b>1,351,424</b>
88,179	Short Term Investments	5	92,510
2,556	Assets held for Sale	10	1,121
1,465	Inventories	6	742
50,772	Short Term Debtors	8	49,086
110,159	Cash and Cash Equivalents	9 & 17	93,575
<b>253,131</b>	<b>Current Assets</b>		<b>237,034</b>
-49,698	Short Term Borrowing	5	-55,023
-71,951	Short Term Creditors & Revenue Receipts in Advance	12	-69,335
-3,423	Short Term Provisions	11	-2,326
-37,018	Capital Grants and Contributions Receipts in Advance	24	-57,171
-8,645	Provision for Accumulated Absences	13	-9,409
<b>-170,735</b>	<b>Current Liabilities</b>		<b>-193,264</b>
-2,529	Deferred Liability	37	-2,494
-3,510	Long Term Provisions	11	-5,563
-273,194	Long Term Borrowing	5	-272,298
-623,385	Liability Related to Defined Benefit Pension Scheme	32	-736,662
<b>-902,618</b>	<b>Long Term Liabilities</b>		<b>-1,017,017</b>
<b>381,660</b>	<b>Net Assets</b>		<b>378,177</b>
	<b>Usable Reserves</b>		
44,151	Capital Grants & Contributions Unapplied Reserve	2	46,017
21,375	Useable Capital Receipts Reserve	2	32,371
19,848	General Fund Balance	2	19,848
137,978	Earmarked Reserves	2	137,172
<b>223,352</b>			<b>235,408</b>
	<b>Unusable Reserves</b>		
-8,645	Short Term Accumulated Absences Account	13	-9,409
662,115	Capital Adjustment Account	13	691,013
125,179	Revaluation Reserve	13	196,023
2,979	Collection Fund Adjustment Account	13 & 38	2,123
2,300	Deferred Capital Receipts Reserve	13	2,300
2,031	Available for Sale Revaluation Reserve	13	1,493
-4,266	Financial Instrument Adjustment Account	13	-4,112
-623,385	Defined Pension Fund Reserve	32	-736,662
<b>158,308</b>			<b>142,769</b>
<b>381,660</b>	<b>Total Reserves</b>		<b>378,177</b>



## 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.

2015/16 £'000		2016/17 £'000
-24,750	Net Surplus (-) or Deficit on the Provision of Services	-19,528
-87,335	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements (note 14)	-72,772
69,953	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities (note 14)	83,481
-42,132	Net Cash Flows from Operating Activities	<b>-8,819</b>
-18,792	Investing Activities (Note 15)	29,989
20,014	Financing Activities (Note 16)	-4,586
-40,910	Net Increase or Decrease in Cash and Cash Equivalents	<b>16,584</b>
-69,249	Cash and Cash Equivalents at the beginning of the reporting period	-110,159
-110,159	<b>Cash and Cash Equivalents at the end of the reporting period (Note 9)</b>	<b>-93,575</b>

## **Contents of the Notes to the Statement of Accounts**

	<b>Page</b>
Note 1. Adjustments between Accounting Basis and Funding Basis under Regulations	49
Note 2. Useable Reserves	51
Note 3. Non-current Assets	54
Note 4. Note to Expenditure & Funding Analysis	56
Note 5. Financial Instruments	59
Note 6. Inventories	62
Note 7. Contractual Capital Commitments	62
Note 8. Debtors	62
Note 9. Cash and Cash Equivalents	62
Note 10. Assets Held for Sale	62
Note 11. Provisions	63
Note 12. Creditors & Revenue Receipts in Advance	64
Note 13. Unusable Reserves	64
Note 14. Cash Flow Statement – Operating Activities	68
Note 15. Cash Flow Statement – Investing Activities	69
Note 16. Cash Flow Statement – Financing Activities	69
Note 17. Movement in Net Debt	69
Note 18. Expenditure and Income Analysed by Nature	70
Note 19. Pooled Budgets & Partnership Working	71
Note 20. Officer's Remuneration	73
Note 21. Members' Allowances	77
Note 22. External Audit Costs	77
Note 23. Deployment of Dedicated Schools Grant (DSG)	77
Note 24. Grant Income	78
Note 25. Related Parties	79
Note 26. Capital Expenditure and Capital Financing	80
Note 27. Leases	82
Note 28. Private Finance Initiatives and Similar Contracts	84
Note 29. Impairment Losses - Capital	87
Note 30. Termination Benefits	87
Note 31. Pensions Schemes Accounted for as Defined Contribution Schemes	87
Note 32. Defined Benefit Pension Schemes	88
Note 33. Contingent Liabilities	95
Note 34. Nature and extent of risks arising from Financial Instruments	95
Note 35. Trust Funds	99
Note 36. Insurance	99
Note 37. Deferred Liabilities	99
Note 38. Collection Fund Adjustment Account	99
Note 39. Prior Period Restatements	100

# 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.

2015/16

	Usable Reserves			
	Restated General Fund Balance	Capital Receipts Reserve	Restated Capital Grants Un- applied Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Depreciation and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets	-49,211			49,211
Revenue expenditure funded from capital under statute	-7,858			7,858
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	-11,274			11,274
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Voluntary Provision for financing of Capital Investment				
Statutory Provision for the financing of Capital Investment	8,737			-8,737
Capital expenditure charged against the General Fund Balance	13,556			-13,556
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	22,606	-22,606		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,231		-1,231
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve</b>				
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement	47,500		-47,500	
Application of grants and contributions to capital financing transferred to capital adjustment account			55,172	-55,172
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	153			-153
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-17,690			17,690
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic Rates income calculated for the year in accordance with statutory requirements	1,361			-1,361
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,756			-1,756
<b>Total Adjustments</b>	<b>9,636</b>	<b>-21,375</b>	<b>7,672</b>	<b>4,067</b>

2016/17

	<b>Usable Reserves</b>		<b>Capital Grants</b>	<b>Movement in</b>
	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Un-applied Reserve</b>	<b>Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Depreciation and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets	-46,244			-46,244
Revenue expenditure funded from capital under statute	-14,006			-14,006
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	-11,007			-11,007
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Voluntary Provision for financing of Capital Investment				
Statutory Provision for the financing of Capital Investment	8,751			8,751
Capital expenditure charged against the General Fund Balance	13,876			13,876
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	17,697	-17,697		
Use of the Capital Receipts Reserve to finance new capital expenditure		6,701		6,701
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>				
Capital grants and contributions unapplied credited to the Comprehensive income and Expenditure Statement	65,938		-65,938	
Application of grants and contributions to capital financing transferred to capital adjustment account			64,072	64,072
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	153			153
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-13,203			-13,203
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic Rates income calculated for the year in accordance with statutory requirements	-856			-856
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-765			-765
<b>Total Adjustments</b>	<b>20,334</b>	<b>-10,996</b>	<b>-1,866</b>	<b>7,472</b>

## 2. Useable Reserves

This note sets out the amounts set aside from the General Fund Balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

<b>Earmarked Revenue Reserves</b>	<b>Balance at 31<sup>st</sup> March 2016 £'000</b>	<b>Transfers Out 2016/17 £'000</b>	<b>Transfers In 2016/17 £'000</b>	<b>Balance at 31<sup>st</sup> March 2017 £'000</b>
Strategic Waste Reserve	33,912	-	2,093	36,005
Fire Joint Training Centre	1,156	-12	-	1,144
Fire PFI Reserve- GRFS	2,757	-	291	3,048
Insurance Fund	10,823	-4,038	5,775	12,560
Capital Fund	9,678	-5,252	9,845	14,271
Transformation Reserve	6,956	-934	440	6,462
County Elections	614	-	320	934
Vehicle & Plant Replacement	110	-28	-	82
Fire Service Pensions	127	-	-	127
Active Communities	1,230	-	-	1,230
Invest to Save	3,175	-307	273	3,141
Education Funding Risk Reserve	500	-	-	500
Adoption Reserve	395	-232	-	163
Economic Stimulus Reserve	8,470	-2,826	453	6,097
Public Health	4,596	-4,596	3,641	3,641
Vulnerable Children Reserve	2,570	-649	1,203	3,124
Adult Care Reserve	1,654	-	1,249	2,903
Home to School Transport Reserve	672	-204	-	468
A417 Missing Link Reserve	1,264	-5	-	1,259
Rates Retention Reserve	1,835	-	670	2,505
Revenue Grant Reserves	11,751	-6,575	5,534	10,710
Communities & Infrastructure Reserve	1,476	-1,318	545	703
Traded & Shared Audit Services Reserve	67	-	186	253
LED Renewables Reserve	223	-	240	463
Services to Families with Young Children Reserve	300	-	-	300
Other Reserves	555	-	41	596
<b>Total Non School Earmarked Reserves</b>	<b>106,866</b>	<b>-26,976</b>	<b>32,799</b>	<b>112,689</b>
<b>Schools Related</b>				
School Balances	23,824	-23,917	19,781	19,688
Other Schools Related	7,288	-8,887	6,394	4,795
<b>Total School Related</b>	<b>31,112</b>	<b>-32,804</b>	<b>26,175</b>	<b>24,483</b>
<b>Total Earmarked Revenue Reserves</b>	<b>137,978</b>	<b>-59,780</b>	<b>58,974</b>	<b>137,172</b>
<b>General Fund Balances</b>	<b>19,848</b>	<b>-</b>	<b>-</b>	<b>19,848</b>
<b>Total Revenue Reserves</b>	<b>157,826</b>	<b>-59,780</b>	<b>58,974</b>	<b>157,020</b>
<b>Earmarked Capital Reserves</b>	<b>Balance at 31<sup>st</sup> March 2016 £'000</b>	<b>Transfers Out 2016/17 £'000</b>	<b>Transfers In 2016/17 £'000</b>	<b>Balance at 31<sup>st</sup> March 2017 £'000</b>
Capital Grant Reserves	44,151	-57,904	59,770	46,017
Capital Receipts Unapplied Reserves	21,375	-7,246	18,242	32,371
<b>Total Capital Reserves</b>	<b>65,526</b>	<b>-65,150</b>	<b>78,012</b>	<b>78,388</b>

## Reserve Description

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

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

**Fire PFI Reserve (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 GCC'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.

**Transformational Reserve** - 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.

**Vehicle & Plant Reserve** - This reserve is to support the purchase of vehicle and plant.

**Fire Service Pensions** - The reserve is to support any potential liabilities under the Fire Service pension schemes.

**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; Photovoltaic PV panels for Shire Hall; ICT improvements.

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

**Adoption Reserve** - This reserve was established to fund a package of measures relating to adoptions over a number of years.

**Economic Stimulus Reserve** - The Economic Stimulus Reserve is fully committed to fund: Rural Broadband ; Apprentices ; Grow Gloucestershire.

**Public Health** - Ring fenced grant, and this 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 Reserve** - 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.

**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 deficit experienced in 2015/16. The reserve also holds £0.515 million ring fenced for economic development projects within the County.

**Revenue Grants Reserve** - 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.

**Communities & 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.

**Sevices to Families with Young Children** - This reserve was established to provide specific budget support to services to Families with young children, committed in 2017/18.

**Other Reserves** - Small number of miscellaneous reserves

**School Balances and Other Related Reserves** - These reserves represents specific ring fenced balances held by individual schools and central ring fenced balances carried forward to support future years expenditure.

**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

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Heritage Assets	<b>Total Property, Plant and Equipment</b>	PFI Assets included in PPE
	£'000	£'000	£'000	£'000	£'000	£'000	<b>£'000</b>	£'000
<b>Gross book value at 31st March 2016</b>	<b>822,480</b>	<b>26,321</b>	<b>606,915</b>	<b>10,093</b>	<b>4,711</b>	<b>894</b>	<b>1,471,414</b>	<b>27,055</b>
Additions	14,488	4,391	45,729	-	7,219	-	71,827	19
Donations	-	-	-	-	-	-	-	-
Revaluation increases recognised in Revaluation Reserve	95,865	-	-	4,434	-	-	100,299	-
Revaluation Reserve adjustment refund to I & E	13,189	-	-	733	-	-	13,922	857
Revaluation decrease recognised in Revaluation Reserve	-22,698	-	-	-	-	-	-22,698	-934
Revaluation Reserve adjustment charge to I & E	-14,858	-	-	-15	-	-	-14,873	-
Derecognition – Disposals	-11,875	-278	-	-989	-	-	-13,142	-
Assets reclassified from Held for Sale	2,047	-	-	-	-	-	2,047	-
Assets reclassified to Held for Sale	-612	-	-	-	-	-	-612	-
Assets Under Construction completed schemes	-	-	-	-	-1,228	-	-1,228	-
Surplus reclassification	1,205	-	-	-1,205	-	-	-	-
<b>Gross book value at 31<sup>st</sup> March 2017</b>	<b>899,231</b>	<b>30,434</b>	<b>652,644</b>	<b>13,051</b>	<b>10,702</b>	<b>894</b>	<b>1,606,956</b>	<b>26,997</b>
<b>Accumulated Depreciation and Impairment as at 31st March 2016</b>	<b>-115,310</b>	<b>-12,463</b>	<b>-239,984</b>	<b>-919</b>	<b>-</b>	<b>-</b>	<b>-368,676</b>	<b>-4,452</b>
Depreciation charge	-18,822	-3,863	-22,381	-43	-	-	-45,109	-1,268
Surplus reclassification	-334	-	-	334	-	-	-	-
Derecognition – disposals	1,621	275	-	240	-	-	2,136	-
<b>At 31<sup>st</sup> March 2017</b>	<b>-132,845</b>	<b>-16,051</b>	<b>-262,365</b>	<b>-388</b>	<b>-</b>	<b>-</b>	<b>-411,649</b>	<b>-5,720</b>
<b>Net book value at 31<sup>st</sup> March 2017</b>	<b>766,386</b>	<b>14,383</b>	<b>390,279</b>	<b>12,663</b>	<b>10,702</b>	<b>894</b>	<b>1,195,307</b>	<b>21,277</b>



## Non Current Asset Valuations

- **Land and Property**

The Code requires all land and property to be formally revalued at least every five years. This years valuation covers a full valuation of all assets except for Schools, Nurseries and Rural Estate and a statistical review of Schools.

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

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

Non-operational land and property is included on the basis of IFRS 13 Fair Value except assets under construction which are included on the basis of capital expenditure incurred by 31<sup>st</sup> March 2017. The valuations have been undertaken by qualified valuers, 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

- **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 1<sup>st</sup> 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.

**Note 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

**2015-16**

	As Reported for Resource Management	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive income and expenditure statement
	£000	£000	£000
Adults	154,655	-4,322	150,333
Public Health	-	-85	-85
Children & Families	101,102	5,681	106,783
Communities & Infrastructure	88,356	26,063	114,419
Business Support Services	27,081	5,352	32,433
Support Service Recharges	-27,663	3,698	-23,965
Technical & Corporate	51,969	-34,268	17,701
Net cost of Services	395,500	2,119	397,619
Other income and expenditure	-395,500	-26,869	-422,369
Surplus or Deficit	-	-24,750	-24,750
Opening General Fund Balance 31st March 2015	19,848		
Surplus/deficit on General Fund	-		
Closing General Fund Balance 31st March 2016	19,848		

**Expenditure and Funding Analysis  
2016-17**

	As Reported for Resource Management	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive income and expenditure statement
	£000	£000	£000
Adults	152,893	3,122	156,015
Public Health	-	811	811
Children & Families	102,560	27,319	129,879
Communities & Infrastructure	87,339	23,618	110,957
Business Support Services	26,907	1,210	28,117
Support Service Recharges	-26,936	2,835	-24,101
Technical & Corporate	51,754	-37,604	14,150
Net cost of Services	394,517	21,311	415,828
Other income and expenditure	-394,517	-40,839	-435,356
Surplus or Deficit	-	-19,528	-19,528
Opening General Fund Balance 31st March 2016	19,848		
Surplus/deficit on General Fund	-		
Closing General Fund Balance 31st March 2017	19,848		

2015-16

Adjustments from the General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	As Reported for Resource Management	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000	£000
Adults	154,655	1,412	-667	-5,067	-4,322
Public Health		-	4	-89	-85
Children & Families	101,102	16,590	-2,640	-8,269	5,681
Communities & Infrastructure	88,356	29,232	2,406	-5,575	26,063
Business Support Services	27,081	6,802		-1,450	5,352
Central Support Recharges	-27,663	-		3,698	3,698
Technical & Corporate	51,969	3,033	-1,915	-35,386	-34,268
<b>Net Cost of Services</b>	<b>395,500</b>	<b>57,069</b>	<b>-2,812</b>	<b>-52,138</b>	<b>2,119</b>
<b>Other income and expenditure from the funding analysis</b>	<b>-395,500</b>	<b>-11,332</b>	<b>23,770</b>	<b>-39,307</b>	<b>-26,869</b>
<b>Difference between General Fund Surplus and Deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit</b>		<b>45,736</b>	<b>20,958</b>	<b>-</b>	<b>24,750</b>
<b>Note 4. Notes to Expenditure &amp; Funding Analysis</b>					

#### Note i Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and 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 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 NDR 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.

2016-17

Adjustments from the General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	As Reported for Resource Management	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000	£000
Adults	152,893	4,359	-543	-694	3,122
Public Health	-	-	-	811	811
Children & Families	102,560	22,418	-2,639	7,540	27,319
Communities & Infrastructure	87,339	28,798	2,806	-7,986	23,618
Business Support Services	26,907	3,846	-	-2,636	1,210
Central Support Recharges	-26,936	-	-	2,835	2,835
Technical & Corporate	51,754	822	-4,030	-34,396	-37,604
<b>Net Cost of Services</b>	<b>394,517</b>	<b>60,243</b>	<b>-4,406</b>	<b>-34,526</b>	<b>21,311</b>
<b>Other income and expenditure from the funding analysis</b>	<b>-394,517</b>	<b>-6,690</b>	<b>21,684</b>	<b>-55,833</b>	<b>-40,839</b>
<hr/>					
<b>Difference between General Fund Surplus and Deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit</b>	<b>-</b>	<b>53,552</b>	<b>17,279</b>	<b>-</b>	<b>90,359</b>
					<b>19,528</b>

#### Note i Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and 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 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

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#### 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:

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#### Revenues from External Customers

	2015/16 £'000	2016/17 £'000
Commissioning Director - Adults	- 30,023	- 30,603
Children & Families Commissioner	- 7,909	- 7,587
Communities and Infrastructure	- 12,738	- 14,351
Director of Public Health	- 7	- 13
Support Services	- 6,922	- 6,874
Technical and Cross Cutting	- 558	- 130
<b>Total Revenues from External Customers</b>	<b>- 58,157</b>	<b>- 59,558</b>

## 5. Financial Instruments

### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet

	Long Term		Current	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
Loans and receivables	64,000	71,000	178,744	148,809
Available-for-sale financial assets	23,324	58,589	10,461	28,588
Other cash			9,132	8,689
<b>Total Investments</b>	<b>87,324</b>	<b>129,589</b>	<b>198,337</b>	<b>186,086</b>
Debtors(Excluding Statutory obligations and Payments in Advance)	11,278	26,126	38,630	37,989
<b>Total Debtors</b>	<b>11,278</b>	<b>26,126</b>	<b>38,630</b>	<b>37,989</b>
<b>Financial Liabilities</b>				
	Long Term		Current	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Borrowings at amortised cost	252,799	252,463	49,151	54,467
<b>Total Borrowings</b>	<b>252,799</b>	<b>252,463</b>	<b>49,151</b>	<b>54,467</b>
<b>Lease Liabilities</b>				
PFI liabilities at amortised cost	20,395	19,835	547	556
<b>Total other long term liabilities</b>	<b>20,395</b>	<b>19,835</b>	<b>547</b>	<b>556</b>
<b>Total Borrowing and Long Term Liabilities</b>	<b>273,194</b>	<b>272,298</b>	<b>49,698</b>	<b>55,023</b>
Creditors(Excluding Statutory obligations and Receipts in Advance)	-	-	61,092	62,235
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>61,092</b>	<b>62,235</b>

**Expense, Income, Gains and Losses**

	2015/16					2016/17			
	Financial Liabilities at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total		Financial Liabilities at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Interest expense	17,846	-	-	<b>17,846</b>		17,342	-	-	<b>17,342</b>
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>17,846</b>	<b>-</b>	<b>-</b>	<b>17,846</b>		<b>17,342</b>	<b>-</b>	<b>-</b>	<b>17,342</b>
Interest income		-2,563	-904	<b>-3,467</b>			-2,192	-1,561	<b>-3,753</b>
Gains on derecognition		-	-	<b>-</b>					
<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>-2,563</b>	<b>-904</b>	<b>-3,467</b>		<b>-</b>	<b>-2,192</b>	<b>-1,561</b>	<b>-3,753</b>
Gain (-)/Loss on revaluation			-659	<b>-659</b>				538	<b>538</b>
<b>Surplus or deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>-659</b>	<b>-659</b>		<b>-</b>	<b>-</b>	<b>538</b>	<b>538</b>
<b>Net loss/gain(-) for the year</b>	<b>17,846</b>	<b>-2,563</b>	<b>-1,563</b>	<b>13,720</b>		<b>17,342</b>	<b>-2,192</b>	<b>-1,023</b>	<b>14,127</b>

# **Fair Values of Assets and Liabilities**

Fair Values are considered for financial liabilities that are represented by PWLB and other long-term borrowing and finance leases. Although no adjustments were recognised in the accounts, accounting practice requires that fair values are disclosed. These liabilities are carried in the Balance Sheet at amortised cost and their fair values are assessed by calculating the net present value of the future contractual cash flows that will take place over the remaining term of the instruments:

For commercial 'lender option borrower option' (LOBO) loans, future estimated cash flows are compared with the cash flows that would result from a comparable replacement PWLB loan.

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

		31st March 2016		31st March 2017	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Fair Value Level	shown on Balance Sheet		shown on Balance Sheet	
<b>Financial liabilities held at amortised cost:</b>		£'000	£'000	£'000	£'000
Long-term loans from PWLB	2	260,363	331,948	255,351	356,257
Long-term Non PWLB loans	2	41,586	67,501	51,579	78,678
Finance Leases and PFI Liabilities	2	20,943	33,284	20,391	38,491
<b>Total Financial Liabilities</b>		<b>322,892</b>	<b>432,733</b>	<b>327,321</b>	<b>473,426</b>

Recorded on the balance sheet as:-

Short-term borrowing	49,698	55,023
long-term borrowing	273,194	272,298
<b>Total Financial Liabilities</b>	<b>322,892</b>	<b>327,321</b>

		31st March 2016		31st March 2017	
	Fair Value Level	Carrying Amount shown on Balance Sheet at Fair Value		Carrying Amount shown on Balance Sheet at Fair Value	
<b>Financial assets held at fair value:</b>		£'000		£'000	
Money market funds; notice and call accounts	1	101,138		84,980	
Bonds, equities and Property funds	1	30,686		72,191	
<b>Total Financial Assets held at Fair Value</b>		<b>131,824</b>		<b>157,171</b>	

		31st March 2016		31st March 2017	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Fair Value Level	shown on Balance Sheet		shown on Balance Sheet	
<b>Financial assets held at amortised cost:</b>		£'000	£'000	£'000	£'000
Long-term bank deposits	2	73,257	72,910	55,243	55,297
Long-term loans to local authorities	2	71,448	68,522	94,572	97,739
Cash in Hand		9,133	9,133	8,688	8,688
<b>Total Financial Assets held at Amortised Cost</b>		<b>153,838</b>	<b>150,565</b>	<b>158,503</b>	<b>161,724</b>
<b>Total Financial Assets</b>		<b>285,662</b>	<b>282,389</b>	<b>315,674</b>	<b>318,895</b>

Recorded on the balance sheet as:-

Long-term investments	87,324	129,589
Short-term investments	88,179	92,510
Cash and cash equivalents	110,159	93,575
<b>Total Financial Assets</b>	<b>285,662</b>	<b>315,674</b>

The fair values of the loans are higher than the carrying amount because the Council's borrowing portfolio includes fixed rate loans where the interest rates payable are higher than the prevailing market rates at the Balance Sheet date.

The Council holds shares costing £1 in Ubico Ltd. The fair value of the council's interest in the company at 31st March 2017 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.

**6. Inventories**

	2015/16 £'000	2016/17 £'000
<b>Maintenance Materials</b>		
Balance outstanding at start of the year	1,388	1,465
Purchases	4,912	4,159
Stock used within the year	-4,835	-4,882
<b>Balance outstanding at year-end</b>	<b>1,465</b>	<b>742</b>

**7. Contractual Capital Commitments**

A contractual capital commitment is where a significant new contract has been agreed during the financial year where a legal agreement has been entered 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.

There is a contractual commitment of £12.1m for refurbishment and the new build for the Adults and Children's Hub within Shire Hall.

**8. Debtors**

	2015/16 £'000	2016/17 £'000
Central Government Bodies	12,341	13,109
Other Local Authorities	3,356	3,070
NHS Bodies	8,452	4,811
Public Corporations and Trading Funds	253	378
Other Entities and Individuals	26,370	27,718
<b>Total</b>	<b>50,772</b>	<b>49,086</b>

**9. Cash and Cash Equivalents**

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

	2015/16 £'000	2016/17 £'000
Cash held by the Council, including schools	9,132	8,688
Cash held in call/money market accounts with same day access	30,280	15,000
Cash Equivalents - investments maturing within 3 months	70,747	69,887
<b>Total Cash and Cash Equivalents</b>	<b>110,159</b>	<b>93,575</b>

**10. Assets Held for Sale**

	2015/16 £'000	2016/17 £'000
<b>Balance outstanding at start of year</b>	<b>368</b>	<b>2,556</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	4,094	588
Assets sold	-1,906	-2,023
<b>Balance outstanding at year-end</b>	<b>2,556</b>	<b>1,121</b>



## 11. Provisions

	Short Term Liabilities	Long Term Liabilities	Balance at 1 <sup>st</sup> April 2016	Applications	Additions	Amounts Written off in Year	Balance at 31 <sup>st</sup> March 2017	Short Term Liabilities	Long Term Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000
Insurance Fund	-3,423	-3,096	-6,519	3,974	-2,581	-	-5,127	-2,326	-2,801
Adults:									
Community Equipment Liabilities		-200	-200				-200		-200
Communities & Infrastructure:									
GSWBP Land Claims		-95	-95				-95		-95
Contracts			0		-2,369		-2,369		-2,369
Children & Families:									
Pension Strain Costs		-29	-29				-29		-29
General:									
Pension Strain & Redundancy costs		-7	-7				-7		-7
Retained Fire Fighters Liabilities		-10	-10				-10		-10
LAMS Scheme Liabilities		-73	-73			21	-52		-52
<b>Total</b>	<b>-3,423</b>	<b>-3,510</b>	<b>-6,933</b>	<b>3,974</b>	<b>-4,950</b>	<b>21</b>	<b>-7,889</b>	<b>-2,326</b>	<b>-5,563</b>
Employee Accrual - IAS19 accumulated absences	-8,645		-8,645		-764		-9,409	-9,409	
<b>Total</b>	<b>-8,645</b>		<b>-8,645</b>	<b>0</b>	<b>-764</b>	<b>-</b>	<b>-9,409</b>	<b>-9,409</b>	<b>-</b>

### 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 2016/17 but will not be settled until 2017/18.

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

	2015/16 £'000	2016/17 £'000
Central Government Bodies	13,807	14,809
Other Local Authorities	5,065	6,105
NHS Bodies	8,608	3,776
Public Corporations and Trading Funds	54	97
Other Entities and Individuals	44,417	44,548
<b>Total</b>	<b>71,951</b>	<b>69,335</b>

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

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

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

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

	Restated 2015/16 £'000	2016/17 £'000
<b>Balance at 1<sup>st</sup> April</b>	117,549	125,179
Upward revaluation of assets	20,923	100,299
Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	-7,328	-22,698
Accumulated gains on assets sold or scrapped	-5,965	-6,757
<b>Balance at 31<sup>st</sup> March</b>	<b>125,179</b>	<b>196,023</b>

**Available for Sale Financial Instruments Reserve**

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

	2015/16 £'000	2016/17 £'000
<b>Balance at 1<sup>st</sup> April</b>	1,372	2,031
Change in year end valuation	659	-538
<b>Balance at 31<sup>st</sup> March</b>	<b>2,031</b>	<b>1,493</b>

**Capital Adjustment Account**

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

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

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

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

	Restated 2015/16 £'000	2016/17 £'000
<b>Balance at 1<sup>st</sup> April</b>	645,797	662,115
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	-49,087	-46,063
Amortisation of intangible assets	-124	-183
Revaluation losses on Property, Plant and Equipment		
Revenue expenditure funded from capital under statute	-7,858	-14,006
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	-11,274	-11,007
Adjusting amounts written out of the Revaluation Reserve	5,965	6,757
Capital financing applied in the year:		
Write off of deferred charges		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,231	6,701
RCCO applied to capital financing	13,556	13,876
Voluntary Provision for financing of Capital Investment	0	-
Statutory Provision for the financing of Capital Investment	8,737	8,751
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	55,172	64,072
<b>Balance at 31<sup>st</sup> March</b>	<b>662,115</b>	<b>691,013</b>

**Pensions Reserve**

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

	2015/16 £'000	2016/17 £'000
<b>Balance at 1<sup>st</sup> April</b>	-747,353	-623,385
Remeasurement of net defined benefit liability	141,658	-100,074
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	-17,690	-13,203
<b>Balance at 31<sup>st</sup> March</b>	<b>-623,385</b>	<b>-736,662</b>

**Collection Fund Adjustment Account**

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

	2015/16 £'000	2016/17 £'000
<b>Balance at 1<sup>st</sup> April</b>	1,618	2,979
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.	1,361	-856
<b>Balance at 31<sup>st</sup> March</b>	<b>2,979</b>	<b>2,123</b>

**Accumulated Absences Account**

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

	2015/16 £'000	2016/17 £'000
<b>Balance at 1<sup>st</sup> April</b>	-10,401	-8,645
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.	1,756	-764
<b>Balance at 31<sup>st</sup> March</b>	<b>-8,645</b>	<b>-9,409</b>

**Financial Instruments Adjustment Account**

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

	2015/16 £'000	2016/17 £'000
<b>Balance at 1<sup>st</sup> April</b>	-4,419	-4,266
Adjustments with the General Fund relating to the total of deferred premiums/discounts:		
Net write down	153	154
<b>Balance at 31<sup>st</sup> March</b>	<b>-4,266</b>	<b>-4,112</b>

**Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority 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.

This balance represents the payments made under the local authority mortgage scheme (£2.2 million) and monies invested in Funding Circle (£0.1 million). As these monies are invested for capital purposes, when repaid they will be used for further capital investment in line with accounting standards.

	2015/16 £'000	2016/17 £'000
<b>Balance at 1<sup>st</sup> April</b>	2,300	2,300
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
<b>Balance at 31<sup>st</sup> March</b>	<b>2,300</b>	<b>2,300</b>

# 14. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

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

	2015/16 £'000	2016/17 £'000
Depreciation & Impairment	-49,087	-46,063
Amortisation	-124	-183
Increase/Decrease in Creditors	-5,651	2,398
Increase/Decrease in Debtors	-4,353	-1,507
Increase/Decrease in Inventories	77	-723
Movement in Pension Liability	-17,690	-13,203
Contributions to/(from) Provisions	766	-2,485
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-11,273	-11,006
<b>Total</b>	<b>-87,335</b>	<b>-72,772</b>

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

	2015/16 £'000	2016/17 £'000
Capital Grants credited to surplus or deficit on the provision of services	47,500	65,938
Premiums or discounts on the repayment of financial liabilities	-153	-154
Proceeds from the sale of property plant and equipment, investment	22,606	17,697
<b>Net cash flows from operating activities</b>	<b>69,953</b>	<b>83,481</b>

The cash flows for operating activities include the following items:

	2015/16 £'000	2016/17 £'000
Interest received	-3,144	-3,082
Interest paid	17,770	18,050
<b>Total</b>	<b>14,626</b>	<b>14,968</b>

## 15. Cash Flow Statement – Investing Activities

	2015/16 £'000	2016/17 £'000
Purchase of property, plant and equipment, investment property and intangible assets	66,766	73,053
Purchase of short-term and long-term investments	863,039	789,913
Other Payments for Investing activities	8,927	15,757
Proceeds from the sale of property, plant and equipment, investment	-22,606	-17,697
Proceeds from short-term and long-term investments	-887,415	-765,582
Other receipts from investing activities	-47,503	-65,455
<b>Net cash flows from investing activities</b>	<b>-18,792</b>	<b>29,989</b>

## 16. Cash Flow Statement – Financing Activities

	2015/16 £'000	2016/17 £'000
Cash receipts of short and long term borrowing	-15,000	-20,000
Other receipts from financing activities	-	-
Repayments of short-term and long-term borrowing	34,437	14,863
Cash payments for the reduction of the outstanding liabilities relating	577	551
<b>Net cash flows from financing activities</b>	<b>20,014</b>	<b>-4,586</b>

## 17. Movement in Net Debt

	2015/16 £'000	2016/17 £'000	Movements in year £'000
Movement In Cash Balances:			
Imprest Accounts	130	120	-10
Cash At Bank	39,282	23,568	-15,714
Cash Equivalents investments	70,747	69,887	-860
<b>Net Cash</b>	<b>110,159</b>	<b>93,575</b>	<b>-16,584</b>
Financing & Liquid Resources	234,895	209,977	-24,918
<b>Net Debt</b>	<b>345,054</b>	<b>303,552</b>	<b>-41,502</b>

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

	2015/16	2016/17
	£'000	£'000
Fees, Charges & Other service Income	-111,317	-100,512
Interest and Investment income	-3,467	-3,753
Income from Council Tax	-236,027	-250,140
Government Grants and Contributions	-475,378	-455,598
Capital Grants and Contributions	-47,500	-65,938
Fire Pensions Top Up Grant	-3,268	-4,076
Gain on Disposal of fixed Assets	-11,332	-6,690
<b>Total Income</b>	<b>-888,289</b>	<b>-886,707</b>
Employee Expenses	306,537	317,382
Other Service Expenses	474,230	472,206
Depreciation, Amortisation and Impairment	57,069	46,243
Revenue expenditure funded from capital under statute	7,858	14,006
Interest Payments	17,845	17,342
<b>Total Operating Expenses</b>	<b>863,539</b>	<b>867,179</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>-24,750</b>	<b>-19,528</b>



## 19. Pooled Budgets & Partnership Working

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

### Provision of mental health services (integrated budget)

A partnership agreement with Gloucestershire Clinical Commissioning Group is in place to jointly commission mental health services. In 2016/17 the Council's share of the gross expenditure of the partnership was £7.1m (£7.4m in 2015/16), gross income was nil (nil in 2015/16) and therefore the Council's net contribution was £7.1m (£7.4m in 2015/16).

### Provision of social care occupational therapy (Integrated Budget)

A partnership agreement, with Gloucestershire Clinical Commissioning Group, to commission occupational therapy services. In 2016/17 the gross expenditure of the partnership was £3.9m (£3.9m in 2015/16), gross income was nil (nil in 2015/16) and the Council's contribution was £3.0m (£3.0m in 2015/16).

### 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 2016/17 the gross expenditure of the partnership was £7.7m (£7.1m in 2015/16), gross external income was £1.2m (£1.0m in 2015/16) and the Council's contribution was £1.6m (£2.4m in 2015/16).

### 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 2014-2018 approved by Cabinet in September 2014. Herefordshire Council acts as the lead authority for this partnership, and the County 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 in to 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, 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 £18.17m for both Counties.

To date £12.285 million of expenditure relating to Gloucestershire has been incurred of which £8.070 million has been funded from government grant, and £4.215 million funded from the Council's £7.5 million contribution, which remains a part of the Council's Economic Stimulus Reserve.

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

The Fastershire partnership was awarded £10.98 million with the County Council receiving £5.46 million from BDUK (SEP) and match funding of £4.2 million was approved by Cabinet on 17th September 2014. To date a contract has been signed with Gigaclear to provide SEP in the Cotswold area but no expenditure has been incurred during 2016-17. The first claim for £800,000 has been prepared and currently being validated for approval by the Operational Team.

### 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. To date a contract has been signed with BT to provide Ultrafast broadband to deliver Lot 2 of the revised Strategy in the Forest of Dean area and parts of South Herefordshire.

### **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 reports to the Gloucestershire Joint Waste Committee, hosted by the Council, with equal representation from member authorities. The Council acts as the accountable body for the partnership. The gross expenditure in 2016/17 of the partnership was £523,000, with the council's contribution to this being £229,000.

### **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 2016/17 the total funding covered within the BCF was £41.3m (£39.9m in 2015/16), of which £19.8m was allocated to the Council as Lead Commissioner (£18.6m in 2015/16), The CCG was allocated £21.5m as Lead Commissioner (£21.6m in 2015/16).

### **Shared Audit Services**

The ARA shared service is an audit risk & assurance shared service hosted by Gloucestershire County 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. In 2016/17 the net spend totalled £0.502m.

### **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 and each of the seven authorities are now equal shareholders.

The council procured supplies and services totalling £1.152m from Ubico Ltd during 2016/17, £0.060m of which is included in the council's balance sheet as a short term creditor 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.

**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.

The senior employees who received remuneration in excess of £50,000 for 2015/16 and 2016/17 are as follows:

**2015/16**

	<b>Salary, Fees and Allowances</b>	<b>Compensation for loss of Office</b>	<b>Other Taxable Benefits</b>	<b>Employer's Pension Contributions</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive Mr P Bungard (1)	142,424	-	-	196,281	<b>338,705</b>
Deputy Chief Executive (2)	13,356	36,117	-	-	<b>49,473</b>
Chief Operating Officer (3)	135,099	113,985	-	20,836	<b>269,920</b>
Chief Fire Officer & Operations Director	120,146	-	-	26,072	<b>146,218</b>
Director: Strategic Finance	120,146	-	-	18,743	<b>138,889</b>
Commissioning Director: Adults	120,146	-	-	18,743	<b>138,889</b>
Commissioning Director: Children & Families	120,146	-	-	18,793	<b>138,939</b>
Operations Director: Education, Learning & Libraries	101,487	-	-	15,832	<b>117,319</b>
Director: Strategy & Challenge & Monitoring Officer	97,799	-	-	15,257	<b>113,056</b>
Commissioning Director: Communities & Infrastructure	97,799	-	-	15,257	<b>113,056</b>
Operations Director: Childrens Safeguarding & Care	97,799	-	-	15,257	<b>113,056</b>
Director: People Services (4)	97,799	85,340	-	121,221	<b>304,360</b>
Director of Public Health (5)	90,885	-	-	12,992	<b>103,877</b>
Operations Lead: Adult Social Care & Business Development	90,499	-	-	14,118	<b>104,617</b>
Commissioning Director (6)	42,352	-	208	6,353	<b>48,913</b>
	<b>1,487,882</b>	<b>235,442</b>	<b>208</b>	<b>515,754</b>	<b>2,239,287</b>

- (1) The Chief Executive works 29.6 hours per week, effective 1 September 2015. The whole time equivalent salary for 2015/16 is £162,847. The Chief Executive's pension contribution figure includes pension strain costs (a payment to Gloucestershire Pension Fund) of £175,445 as a result of flexible retirement.
- (2) The Deputy Chief Executive was made redundant on 31st May 2015. The whole time equivalent salary for 2015/16 is £133,562.
- (3) The Chief Operating Officer was seconded to NHS Gloucester Clinical Commissioning Group (CCG) during 2015/16. Salary costs for 2015/16 were therefore funded by NHS Gloucestershire CCG.
- (4) The post of Director of People Services was made redundant on 31 March 2016.
- (5) The post of Director of Public Health was filled on an interim basis from 1 April 2015 to 12 October 2015, on which date a permanent appointment was made. The whole time salary for the permanent appointee in 2015/16 is £91,541.
- (6) The Commissioning Director is an employee of Gloucester City Council and Gloucestershire County Council is liable for half of the costs associated with this role. The figure disclosed above therefore represents the Gloucestershire County Council share of the costs associated with this role

**2016/17**

	<b>Salary, Fees and Allowances £</b>	<b>Compensation for loss of Office £</b>	<b>Other Taxable Benefits £</b>	<b>Employer's Pension Contributions £</b>	<b>Total £</b>
Chief Executive Mr P Bungard (1)	131,036	-	-	-	<b>131,036</b>
Chief Fire Officer & Operations Director	121,347	-	242	26,332	<b>147,921</b>
Director: Strategic Finance	121,347	-	-	18,930	<b>140,277</b>
Director: Strategy & Challenge & Monitoring Officer	98,777	-	-	15,409	<b>114,186</b>
Commissioning Director: Adults	121,347	-	-	18,930	<b>140,277</b>
Commissioning Director: Children & Families	121,347	-	-	18,930	<b>140,277</b>
Commissioning Director: Communities & Infrastructure	116,831	-	-	18,225	<b>135,056</b>
Operations Director: Childrens Safeguarding & Care	98,777	-	-	15,409	<b>114,186</b>
Operations Lead: Adult Social Care & Business Development	95,617	-	-	14,916	<b>110,533</b>
Director of Public Health	95,617	-	-	13,673	<b>109,290</b>
Commissioning Director (2) (3)	65,489	-	311	13,927	<b>79,727</b>
	<b>1,187,532</b>	<b>-</b>	<b>553</b>	<b>174,681</b>	<b>1,362,766</b>

- (1) The Chief Executive works 29.6 hours per week. The whole time equivalent salary for 2016/17 is £163,795.
- (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 Commissioning Director was employed mid-year in 2015/16 but was in post for the full year in 2016/17.

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

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

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

The table reflects the total remuneration, including compensation for loss of office (redundancy), received by employees as at 31<sup>st</sup> March 2017, not just an employee's gross salary.

Remuneration band	Total Number of Employees			
	2015/16		2016/17	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	59	43	60	35
£55,000 - £59,999	37	23	47	37
£60,000 - £64,999	21	5	28	11
£65,000 - £69,999	6	16	8	12
£70,000 - £74,999	2	4	4	6
£75,000 - £79,999	6	2	3	7
£80,000 - £84,999	1	-	4	1
£85,000 - £89,999	1	2	2	1
£90,000 - £94,999	-	3	1	-
£95,000 - £99,999	-	5	-	5
£100,000 - £104,999	-	1	-	1
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	-	-	-	1
£120,000 - £124,999	-	4	-	4
£125,000 - £129,999	-	-	-	-
£130,000 - £134,999	-	-	-	1
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	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	-	1	-	-
£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	-	1	-	-
<b>Total</b>	<b>133</b>	<b>110</b>	<b>157</b>	<b>122</b>

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

**2015/16**

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	16	29	45	338,606
£20,001 - £40,000	2	8	10	307,195
£40,001 - £60,000	3	6	9	411,742
£60,001 - £80,000	1	1	2	125,304
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	1	1	175,445
Accruals/Provision			-	549,247
<b>Total</b>	<b>22</b>	<b>45</b>	<b>67</b>	<b>1,907,539</b>

**2016/17**

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	20	47	67	415,796
£20,001 - £40,000	6	4	10	321,516
£40,001 - £60,000	2	5	7	351,956
£60,001 - £80,000	1	-	1	62,520
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	-	-	-
Accruals/Provision				1,293,591
<b>Total</b>	<b>29</b>	<b>56</b>	<b>85</b>	<b>2,445,379</b>

The total cost of £2,445,379 in the table above includes £1,293,591 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: [www.gloucestershire.gov.uk](http://www.gloucestershire.gov.uk) and can be found through the following link:-

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

	2015/16	2016/17
	£'000	£'000
Basic Allowances	482	521
Special Responsibility Allowances	269	261
Travel & Subsistence Allowances	31	30
<b>Total</b>	<b>782</b>	<b>812</b>

**22. External Audit Costs**

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

	2015/16	2016/17
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	98	98
Fees payable for the certification of grant claims and returns for the year	4	4
Fees payable in respect of other services provided during the year	14	38
<b>Total</b>	<b>116</b>	<b>140</b>

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

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

Details of the deployment of DSG receivable for 2016/17 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2016/17 before academy recoupment			412,418
Academy figure recouped for 2016/17			-166,317
Total DSG after academy recoupment for 2016/17			246,101
Plus: Brought forward from 2015/16			7,540
Less: Carry forward to 2016/17 agreed in advance			-
Agreed initial budgeted distribution in 2016/17	75,474	178,167	253,641
In Year Adjustments	-3	-	-3
Final budget distribution for 2016/17	75,471	178,167	253,638
Less: Actual central expenditure	70,929		70,929
Less: Actual ISB deployed to schools	-	178,167	178,167
Plus: Local Authority contribution for 2016/17	-	-	-
<b>Carry Forward to 2017/18</b>	<b>4,542</b>	<b>-</b>	<b>4,542</b>

**24. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

**Credited to Taxation and Non Specific Grant Income**

	2015/16 £'000	2016/17 £'000
Revenue Support Grant	-67,456	-49,905
National Non Domestic Rates Grant	-69,449	-68,835
Non Service Related Grants	-25,780	-25,445
Fire Pensions Top Up Grant	-3,268	-4,076
<b>Total</b>	<b>-165,953</b>	<b>-148,261</b>

**Revenue Grants Credited to Services**

	2015/16 £'000	2016/17 £'000
Department for Work & Pensions - Workstep Grant	-	-
Department for Children's Schools & Families Grants	-22,539	-22,625
Department for Education Grants	-243,525	-246,096
Department of Health Grants	-24,134	-25,888
Community & Local Government Grants	-8,936	-6,298
Youth Justice Board Grant	-598	-284
Young Peoples Learning Agency Grants	-2,084	-1,985
Other Grants	-9,088	-5,794
Skills Funding Agency	-2,607	-2,404
Department for Environment, Food & Rural Affairs	-	-37
<b>Total</b>	<b>-313,511</b>	<b>-311,411</b>

	2015/16 £'000	2016/17 £'000
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Account	-47,500	-65,938

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

**Capital Grants Receipts in Advance**

	2015/16 £'000	2016/17 £'000
Department for Transport Grants	-6,658	-13,092
Non Government Contributions for Capital purposes	-9,346	-15,131
Highways Section 106 Contributions	-11,568	-12,052
Accountable body	-9,446	-16,896
<b>Total</b>	<b>-37,018</b>	<b>-57,171</b>



## 25. Related Parties

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

### 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 2017 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 £275,139. The balance of £212,695 is included within the revenue grants receipts in advance section on the balance sheet. It is anticipated that these funds will be fully expended during 2017-18.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 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 £8.8m (£6.8m in 2014/15) was held in the Pension Fund accounts for 2016/17 gaining interest of £0.034m. (£0.032m in 2015/16). The Council charged £1.97m (£1.55m in 2015/16) 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 it's 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 2016/17 payments of £14.3m (£16.1m in 2015/16) were made to the Order of St John Care Trust in relation to this contract. £2.5m was outstanding at the year end (2015/16 £1.3m).

## 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.

	2015/16 £'000	2016/17 £'000
<b>Opening Capital Financing Requirement</b>	326,330	317,593
Property, Plant and Equipment	62,101	70,643
Revenue Expenditure Funded from Capital under Statute	7,858	14,006
<b>Total to Finance</b>	<b>69,959</b>	<b>84,649</b>
<b>Sources of finance</b>		
Capital Receipts	-1,231	-6701
Capital Fund & other Earmarked Reserves	-6,568	-7863
Government Grants and other Contributions	-55,172	-64072
Direct Revenue Contributions	-6,988	-6,013
	<b>-69,959</b>	<b>-84,649</b>
MRP	-8,737	-8751
Capital Receipts applied against debt	-	-
VRP	-	-
<b>Total revenue provision</b>	<b>-8,737</b>	<b>-8,751</b>
<b>Closing Capital Financing Requirement</b>	<b>317,593</b>	<b>308,842</b>
<b>Explanation of movements in year</b>		
Increase/decrease (-) in underlying need to borrowing	-8,737	-8,751
Assets acquired under PFI/PPP contracts	-	-
<b>Increase/Decrease (-) in Capital Financing Requirement</b>	<b>-8,737</b>	<b>-8,751</b>

# **Capital Expenditure 2016/17**

	£'000	%
<b>Adults</b>	4,510	5.3
<b>Children &amp; Families</b>	23,751	28.0
<b>Communities &amp; Infrastructure</b>		
Infrastructure	49,027	57.9
Libraries	229	0.3
Community Safety F&F	806	1.0
<b>Business Support ICT</b>		
<b>AMPS</b>	3,797	4.5
<b>ICT Projects</b>	1,892	2.2
Archives	220	0.3
Customer	145	0.2
<b>Capital Receipts Expenditure</b>	272	0.3
	<b>84,649</b>	<b>100</b>

## 27. Leases

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

### Council as Lessee

#### Finance Leases

Other than those schemes undertaken through the Private Finance Initiative as reported in Note 28, there were no further finance leases identified by the Council during 2016/17.

#### Operating Leases

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

	Expiry date of lease		
	Within 1 year	After 1 year but less than 5 years	After more than 5 years
	£'000	£'000	£'000
<b>2015/16</b>			
Property	340	652	619
Vehicles	291	441	-
	631	1,093	619
<b>2016/17</b>			
Property	168	396	634
Vehicles	399	250	-
	<b>567</b>	<b>646</b>	<b>634</b>

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

	2015/16 £'000	2016/17 £'000
Property	359	227
Vehicles	411	253
	<b>770</b>	<b>480</b>

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

The Council has looked at all leases (including those that terminated at 31st March 2017) where it is the lessor (landlord), to establish the correct classification under IFRS.

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

**Operating Leases**

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

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

	Expiry date of lease		
	Within 1 year	After 1 year but less than 5 years	After more than 5 years
	£'000	£'000	£'000
<b>2015/16</b>			
Property	2,096	6,553	8,725
<b>Total</b>	<b>2,096</b>	<b>6,553</b>	<b>8,725</b>
<b>2016/17</b>			
Property	230	211	344
<b>Total</b>	<b>230</b>	<b>211</b>	<b>344</b>

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

	2015/16	2016/17
	£'000	£'000
Property	2,275	1,193
	<b>2,275</b>	<b>1,193</b>

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

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

2016/17 was the fourteenth year of a twenty-five year PFI contract for the design, build, financing and operation of a Joint Training facility in Avonmouth. The scheme is a joint PFI venture with Avon Fire Authority and Devon & Somerset Fire Authority whereby a significant proportion of the training required by the three services is provided at this facility.

**Property, Plant and Equipment**

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

**Payments**

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

Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:

		<b>Payment for Services</b>	<b>Reimbursement of Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
2015/16					
£'000					
<b>687</b>	Paid in 2016/17	506	69	128	704
	<b>Outstanding undischarged contract obligations:</b>				
<b>704</b>	Payable within one year	524	75	122	721
<b>2,994</b>	Payable within two to five years	2,265	391	411	3,068
<b>4,178</b>	Payable within six to ten years	3,271	725	285	4,282
<b>1,820</b>	Payable within eleven to fifteen years *	723	182	16	921
<b>9,696</b>	<b>Total</b>	<b>6,783</b>	<b>1,373</b>	<b>834</b>	<b>8,992</b>

\* There are eleven years remaining.

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

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Balance outstanding at start of year	1,510	1,444
Payments during the year	-66	-69
<b>Balance outstanding at year-end</b>	<b>1,444</b>	<b>1,375</b>

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

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Opening Net Book Value	1,096	1,007
Depreciation	-94	-102
Additions	5	7
Revaluations	-	133
<b>Balance</b>	<b>1,007</b>	<b>1,045</b>

**Fire Service Stations PFI Scheme**

The building of four new Community Fire Stations, as well as a Life Skills Centre (SkillZONE) in Gloucestershire took place during 2011/12 and 2012/13. The PFI scheme runs for twenty-five and a quarter years to June 2037 and the fire stations become the property of the Fire & Rescue Service at the end of the contract agreement. Each station includes community facilities that can be hired by local groups and organisations. The SkillZONE centre in Gloucester 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 31<sup>st</sup> March 2017 (including an estimation of inflation and excluding estimations of availability/performance deductions) are as follows:

		<b>Payment for Services</b>	<b>Reimbursement of Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
2015/16					
£'000					
3,372	Paid in 2016/17	1,244	482	1,730	3,456
	<b>Outstanding undischarged contract obligations:</b>				
3,456	Payable within one year	1,364	491	1,688	3,543
14,711	Payable within two to five years	6,486	2,338	6,255	15,079
20,555	Payable within six to ten years	10,834	3,668	6,567	21,069
23,256	Payable within eleven to fifteen years	14,918	4,021	4,898	23,837
26,312	Payable within sixteen to twenty years	16,507	7,982	2,480	26,969
	Payable within twenty-one to twenty-five years				
7,115		888	518	46	1,452
<b>95,405</b>	<b>Total</b>	<b>50,997</b>	<b>19,018</b>	<b>21,934</b>	<b>91,949</b>

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

	2015/16 £'000	2016/17 £'000
Balance outstanding at start of year	19,970	19,499
Payments during the year	-471	-482
Balance outstanding at year-end	19,499	19,017

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

	2015/16 £'000	2016/17 £'000
Opening Net Book Value	22,479	21,481
Depreciation	-1,010	-1,166
Additions	12	42
Revaluation	-	3,290
<b>Closing Balance</b>	<b>21,481</b>	<b>23,647</b>

#### Arrangements that contain a lease

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

#### Service Concessions

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

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.

The facility will take approximately three years to build and it is forecast to become operational in 2019 when it will be recognised on the Council's Balance Sheet. The contract period is for 25 years starting from the operational date in 2019 with the option to extend by 5 years.

The contract includes an obligation to the Council to make contributions totalling £38m in the four years before the asset becomes operational, which will reduce the revenue fee paid over the life of the contract as shown below:

	£m
2015/16	8.9
2016/17	16.1
2017/18	0.0
2018/19	13.0

These contributions will be treated as prepayments until the asset is brought onto the balance sheet in 2019/20. The funding for the above contributions will build up on the Strategic Waste Reserve until 2019/20 when they will be netted off from the liability of the asset.

Under the contract the authority 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.



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

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

## **30. Termination Benefits**

The Council terminated the contracts of a number of employees in 2016/17, incurring liabilities of £2.7m (£1.9m in 2015/16). 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 2016/17, the Council paid £14.97m to the Teachers' Pensions Agency (TPA) in respect of teachers' retirement benefits, at 16.48%, of pensionable pay. The figures for 2015/16 were £13.8m representing five months at 14.1%, and seven months 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 31 March 2013 retained access to that Scheme on transfer at 1 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 final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.
- 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 authority 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.

### Transactions Relating to Post-employment Benefits

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

<b>Comprehensive Income and Expenditure Statement</b>	<b>Local Government Pension Scheme</b>		<b>Unfunded - Firefighters' Pension Scheme</b>	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Cost of Services:				
Service Cost Comprising:				
Current service cost	35,847	<b>38,778</b>	5,100	<b>4,600</b>
Past service costs	153	<b>448</b>	-	<b>3,200</b>
Losses / Gains (-) on settlements	-475	<b>-6,085</b>	-	-
Financing and Investment Income and Expenditure				
Net interest on the defined pension liability	16,670	<b>14,584</b>	7,100	<b>7,100</b>
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>52,195</b>	<b>47,725</b>	<b>12,200</b>	<b>14,900</b>

<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>Local Government Pension Scheme</b>		<b>Unfunded - Firefighters' Pension Scheme</b>	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount charged in the net interest expense)	-26,660	<b>117,762</b>	-	-
Actuarial gains and losses arising on changes in demographic assumptions	-	<b>3,851</b>	600	<b>-1,400</b>
Actuarial gains and losses arising on changes in financial assumptions	117,777	<b>-222,251</b>	20,800	<b>-40,000</b>
Other experience	20,541	<b>23,264</b>	8,600	<b>18,700</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>111,658</b>	<b>-77,374</b>	<b>30,000</b>	<b>-22,700</b>

	Local Government Pension Scheme		Unfunded - Firefighters' Pension Scheme	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-11,090	-3,803	-6,600	-9,400
	-11,090	-3,803	-6,600	-9,400

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

Employers' contributions payable for unfunded teachers scheme & LGPS benefits (discretionary)	36,526	39,384	5,500	5,500
Employers' contributions payable to scheme for unfunded LGPS benefits (Discretionary)	4,579	4,538	-	-
<b>Total employers contributions</b>	41,105	43,922	5,500	5,500

Firefighters pension and lump sum benefit payments 7,100

**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	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Present value of the defined benefit obligation	1,291,947	1,522,442	200,300	232,400
Fair value of plan assets	-868,862	-1,018,180	-	-
Other movements in the liability (asset)	-	-	-	-
<b>Net liability arising from defined benefit obligation</b>	423,085	504,262	200,300	232,400

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

	<b>Local Government Pension Scheme</b>		<b>Unfunded - Firefighters' Pension Scheme</b>	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Opening fair value of scheme assets	863,577	<b>868,862</b>	-	-
Interest Income	27,702	<b>30,390</b>	-	-
Remeasurement Gain / Loss (-):				
The return on plan assets, excluding the amount included in the net interest expense	-26,660	<b>117,762</b>	-	-
The effect of changes in foreign exchange rates			-	-
Contributions from employer	41,105	<b>43,922</b>	5,600	<b>5,700</b>
Contributions from employees into the scheme	7,483	<b>7,795</b>	1,500	<b>1,200</b>
Benefits paid	-39,631	<b>-42,155</b>	-7,100	<b>-6,900</b>
Benefits paid for unfunded LGPS benefits (Discretionary)	-4,579	<b>-4,538</b>	-	-
Assets distributed on settlement			-	-
	-135	<b>-3,858</b>		
<b>Closing fair value of scheme assets</b>	<b>868,862</b>	<b>1,018,180</b>	-	-

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

	<b>Funded liabilities: Local Government Pension Scheme</b>		<b>Unfunded liabilities: Firefighters' Pension Scheme</b>	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Opening balance at 1 <sup>st</sup> April	-1,387,230	<b>-1,291,947</b>	-223,700	<b>-200,300</b>
Current service cost	-35,847	<b>-38,778</b>	-5,100	<b>-8,000</b>
Interest cost	-44,372	<b>-44,974</b>	-7,100	<b>-7,100</b>
Contributions from scheme participants	-7,483	<b>-7,795</b>	-1,500	<b>-4,200</b>
Remeasurement Losses / Gains (-):				
Actuarial gains/losses arising from changes in demographic assumptions	-	<b>3,851</b>	600	<b>1,400</b>
Actuarial gains/losses arising from changes in financial assumptions	117,777	<b>-222,251</b>	20,800	<b>-40,000</b>
Other experience	20,541	<b>23,264</b>	8,600	<b>18,700</b>
Past service costs (Including curtailments)	-153	<b>-448</b>	-	-
Liabilities assumed on entity combinations	-	-	-	-
Benefits paid	39,631	<b>42,155</b>	7,100	7,100
Benefits paid for unfunded teachers scheme & LGPS benefits (Discretionary)	4,579	<b>4,538</b>	-	-
Liabilities extinguished on settlements, where relevant	610	<b>9,943</b>	-	-
<b>Closing balance at 31<sup>st</sup> March</b>	<b>-1,291,947</b>	<b>-1,522,442</b>	<b>-200,300</b>	<b>-232,400</b>

**Local Government Pension Scheme assets comprised:**

	2015/16			2016/17		
	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	9,533	-	<b>9,533</b>	14,706	-	<b>14,706</b>
Equity Instruments:						
				-		
By Industry Type (a)						
Consumer	53,475	-	<b>53,475</b>	49,391	-	<b>49,391</b>
Manufacturing	26,190	-	<b>26,190</b>	26,478	-	<b>26,478</b>
Energy and utilities	15,753	-	<b>15,753</b>	19,372	-	<b>19,372</b>
Financial institutions	41,992	-	<b>41,992</b>	40,919	-	<b>40,919</b>
Health and care	6,821	-	<b>6,821</b>	16,371	-	<b>16,371</b>
Information Technology	4,706	-	<b>4,706</b>	2,528	-	<b>2,528</b>
Other	18,028	-	<b>18,028</b>	30,864	-	<b>30,864</b>
Sub-total equity (a)	166,965	-	<b>166,965</b>	185,923	-	<b>185,923</b>
Bonds by Sector:						
Corporate (investment grade)	44,793	-	<b>44,793</b>	47,767	-	<b>47,767</b>
Corporate (non-investment grade)	3,374	-	<b>3,374</b>	3,673	-	<b>3,673</b>
UK Government	79,394	-	<b>79,394</b>	73,746	-	<b>73,746</b>
Other	11,961	-	<b>11,961</b>	11,194	-	<b>11,194</b>
Sub-total bonds	139,522	-	<b>139,522</b>	136,380	-	<b>136,380</b>
Real Estate:						
UK Property	47,391	17,071	<b>64,462</b>	49,616	15,916	<b>65,532</b>
Overseas Property	-	4,453	<b>4,453</b>	-	5,525	<b>5,525</b>
Sub-total real estate	47,391	21,524	<b>68,915</b>	49,616	21,441	<b>71,057</b>
Private equity:						
All	-	2,551	<b>2,551</b>	-	2,588	<b>2,588</b>
Investment Funds and Unit Trusts:						
Equities	29,019	371,502	<b>400,521</b>	40,439	459,639	<b>500,078</b>
Bonds	38,023	2,231	<b>40,254</b>	61,569	5,714	<b>67,283</b>
Other	-	40,680	<b>40,680</b>	-	39,383	<b>39,383</b>
Sub-total investments funds and Unit Trusts	67,042	414,413	<b>481,455</b>	102,008	504,736	<b>606,744</b>
Derivatives:						
Forward foreign exchange contracts	-	-	<b>-</b>	571	-	<b>571</b>
Other	-78	-	<b>-78</b>	211	-	<b>211</b>
Sub-total derivatives	-78	-	<b>-78</b>	782	-	<b>782</b>
<b>TOTAL ASSETS</b>	<b>430,375</b>	<b>438,488</b>	<b>868,863</b>	<b>489,415</b>	<b>528,765</b>	<b>1,018,180</b>
	<b>Fair Value of Scheme</b>					
	2015/16					2016/17
	£'000					£'000
Equity Instruments by Company size:-						
FTSE 100				110,815		123,397
FTSE 250				53,128		59,161
Pooled UK Smaller Companies				3,022		3,365
Sub-total equity instruments				166,965		185,923

# Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Firefighters' Pension Schemes liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1<sup>st</sup> April 2016. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded liabilities: Firefighters' Pension Schemes	
	2015/16	2016/17	2015/16	2016/17
Mortality assumptions:				
Longevity (yrs) at 65 (60 for Fire) for current pensioners:				
Men	22.5	<b>22.4</b>	29.7	<b>30.2</b>
Women	24.6	<b>24.6</b>	31.6	<b>31.7</b>
Longevity (yrs) at 65 (60 for Fire) for future pensioners:				
(Figures assume members aged 45 as at 31.03.13 for the LGPS and as at 31.03.14 for Fire)				
Men	24.4	<b>24.0</b>	31.2	<b>31.6</b>
Women	27.0	<b>26.4</b>	33.2	<b>33.2</b>
Rate of Inflation	3.2%	<b>3.4%</b>	3.2%	<b>3.4%</b>
Rate of increase in salaries	3.7%	<b>2.7%</b>	3.2%	<b>3.4%</b>
Rate of increase in pensions **	2.2%	<b>2.4%</b>	2.2%	<b>2.4%</b>
Rate for discounting scheme liabilities #	3.5%	<b>2.6%</b>	3.5%	<b>2.6%</b>

\*\* Pension increases are assumed to be 1.0% p.a. less than market derived RPI.

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

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.

<b>Sensitivity Analysis</b>		
<b>Change in assumptions at 31 March 2017</b>	<b>Approximate Increase %</b>	<b>Approximate monetary amount £'000</b>
<b>Local Government Pension Scheme - Increase to Employer Liability</b>		
0.5% decrease in Real Discount Rate	9%	137,072
1 year increase in member life expectancy	3%	38,758
0.5% increase in the Salary Increase Rate	1%	17,403
0.5% increase in the Pension Increase Rate (CPI)	8%	117,994
<b>Fire Fighters Pension Scheme - Increase to Employer Liability</b>		
0.1% decrease in Real Discount Rate	9%	20,800
1 year increase in member life expectancy	3%	6,900
0.5% increase in the Salary Increase Rate	1%	2,300
0.5% increase in the Pension Increase Rate (CPI)	8%	18,200
<b>Fire Fighters Pension Scheme - Increase to Projected Current Service Cost</b>		
0.1% decrease in real Discount Rate	17%	940
1 year increase in member life expectancy	2%	160
0.5% increase in the Salary Increase Rate	6%	310
0.5% increase in the Pension Increase Rate (CPI)	11%	590

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as 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. The next triennial valuation is due to be commenced 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 anticipates to pay £43.4m expected contributions to the LGPS scheme and £1.4m for the Fire scheme

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

		<b>Duration 2015/16</b>	<b>Duration 2016/17</b>
LGPS	Duration as at previous formal valuation - 31.03.13	17.6	<b>17.1</b>
Fire	Duration effective as at previous formal valuation - 31.03.12	18.9	<b>16.8</b>
Fire - Injury	Duration effective as at previous formal valuation - 31.03.12	21.8	<b>20.1</b>



### **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.

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 £1.0m.

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

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

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

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

### Credit Risk

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

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

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

Deposits are made with other local authorities, 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 Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31<sup>st</sup> March 2017 that this was likely to crystallise.

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

	<b>Amount at 31<sup>st</sup> March 2017</b>	<b>Historical experience of default</b>	<b>Historical experience adjusted for market conditions at 31<sup>st</sup> March 2017</b>	<b>Estimated maximum exposure to default and uncollectability</b>
	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£'000</b>
Deposits with Banks & Financial Institutions including Local Authorities	318,895	-	-	-
Customers	10,527			1,633
	<b>329,422</b>			<b>1,633</b>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council's debtors, including any payments in advance made by the Council totalled £47.886m as at 31<sup>st</sup> March 2017, 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 31<sup>st</sup> March 2017 these debts totalled £10.527m.

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.

	2015/16 £'000	2016/17 £'000
Less than a month	7,580	4916
One to three months	2,245	749
Three to six months	1,774	692
More than six months	3,399	4170
	<b>14,998</b>	<b>10,527</b>

### Liquidity Risk

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

	2015/16 £'000	2016/17 £'000
Less than one year	49,150	54,467
Between one and two years	8,336	7,863
Between two and five years	23,690	30,972
Between five and ten years	36,545	21,400
Between ten and twenty years	44,000	44,000
Between twenty and thirty years	47,849	54,171
Between thirty and forty years	77,379	79,057
Between forty and fifty years	15,000	15,000
Finance Lease Liability	20,943	20,391
	<b>322,892</b>	<b>327,321</b>

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

## Market Risk

### Interest Rate Risk

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

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

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

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

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

According to this assessment strategy, at 31<sup>st</sup> March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	473
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>473</b>

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

### Price Risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £20m. This investment is subject to fair value adjustments at year end, but any fall in commercial property prices would have no impact on the General Fund until the investment was sold.

### Foreign Exchange Risk

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

### 35. Trust Funds

At 31<sup>st</sup> March 2017 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 2016	Income	Expenditure	Balance at 31 <sup>st</sup> March 2017
	£	£	£	£
<b>Libraries</b>				
2 trusts providing books for libraries	2,786	175	-171	<b>2,790</b>
<b>Gloucestershire Heritage Trust Ltd</b>				
Preserves and renovates specific buildings and areas which are of historic interest	6,964	25	-	<b>6,989</b>
<b>Gloucestershire War Relief</b>				
The awarding of grants relating to service in the Great War	411	-	-	<b>411</b>
<b>Total</b>	<b>10,161</b>	<b>200</b>	<b>-171</b>	<b>10,190</b>

In addition to the above Trust Funds, the Council is holding £30,816 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, £370,500.

Property Risks (Fire / lightning / explosion / earthquake / riot / civil commotion / storm / floods and escape of water damage) to all Council Properties £100,000 excess and own accident damage to GCC vehicles £20,000 excess. This effectively means that all but the very largest claims are self-insured.

The Insurance Fund is made up of annual premiums charged to services. The fund consists of a provision representing the estimated cost of 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 £2.494m represents the shares of the PFI Joint Fire Training Centre project equalisation fund attributable to Avon Fire Authority and Devon & Somerset Fire Authority at 31st March 2017. (£2.529m in 2015/16)

### 38. Collection Fund Adjustment Account

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

The following statement outlines the balances held as at 31<sup>st</sup> March 2017:

	Arrears after impairment allowance for doubtful/bad debt (Debtors)	Overpayme nts and prepaymen ts (Creditors)	Collection Fund Surplus (-) /Deficit	Cash (shown as Debtor or Creditor)
	£'000	£'000	£'000	£'000
Council Tax Collection	7,283	-3,945	-5,085	1,747
Non-Domestic Rates Collection	310	-2,391	2,962	-881
<b>Total</b>	<b>7,593</b>	<b>-6,336</b>	<b>-2,123</b>	<b>866</b>

### 39. Prior Period Restatements

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income & Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that Council's present expenditure and income on services on the basis of its reporting segments. These reportable segments are based on the Council's internal management reporting structure. This is a change from the previous requirements to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). This note shows how the net expenditure and income has been restated.

<b>Net Expenditure</b>	<b>As reported in the Comprehensive Income &amp; Expenditure Statement 2015-16</b>	<b>Adjustments between SERCOP classifications and internal reporting classifications</b>	<b>As restated</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Adult social care	162,340	- 12,007	150,333	Adults
Public Health	- 85	-	85	Public Health
Education and children's services	95,752	11,031	106,783	Children & Families
Cultural and Related Services	7,426	106,993	114,419	Communities & Infrastructure
Environmental & Regulatory Services	27,856	- 27,856	-	
Planning Services	1,110	- 1,110	-	
Highways and transport services	52,491	- 52,491	-	
Other housing services	184	- 184	-	
Fire Services	20,702	- 20,702	-	
Corporate and democratic core	10,194	- 1,726	8,468	Business Support Services
Non distributed costs	17,424	277	17,701	Technical & Corporate
Central services to the public	2,225	- 2,225	-	
<b>Cost of Services</b>	<b>397,619</b>	<b>-</b>	<b>397,619</b>	

<b>Gross Expenditure</b>	<b>As reported in the Comprehensive Income &amp; Expenditure Statement 2015-16</b>	<b>Adjustments between SERCOP classifications and internal reporting classifications</b>	<b>As restated</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Adult social care	240,046	- 12,432	227,614	Adults
Public Health	24,142	-	24,142	Public Health
Education and children's services	392,915	8,367	401,282	Children & Families
Cultural and Related Services	8,237	122,226	130,463	Communities & Infrastructure
Environmental & Regulatory Services	30,118	- 30,118	-	
Planning Services	1,340	- 1,340	-	
Highways and transport services	63,084	- 63,084	-	
Other housing services	537	- 537	-	
Fire Services	25,078	- 25,078	-	
Corporate and democratic core	14,543	1,813	16,356	Business Support Services
Non distributed costs	17,566	4,206	21,772	Technical & Corporate
Central services to the public	4,023	- 4,023	-	
<b>Cost of Services</b>	<b>821,629</b>	<b>-</b>	<b>821,629</b>	

<b>Gross Income</b>	<b>As reported in the Comprehensive Income &amp; Expenditure Statement 2015-16</b>	<b>Adjustments between SERCOP classifications and internal reporting classifications</b>	<b>As restated</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Adult social care	- 77,706	425	- 77,281	Adults
Public Health	- 24,227	-	- 24,227	Public Health
Education and children's services	- 297,163	2,664	- 294,499	Children & Families
Cultural and Related Services	- 811	15,233	- 16,044	Communities & Infrastructure
Environmental & Regulatory Services	- 2,262	2,262	-	
Planning Services	- 230	230	-	
Highways and transport services	- 10,593	10,593	-	
Other housing services	- 353	353	-	
Fire Services	- 4,376	4,376	-	
Corporate and democratic core	- 4,349	3,539	- 7,888	Business Support Services
Non distributed costs	- 142	3,929	- 4,071	Technical & Corporate
Central services to the public	- 1,798	1,798	-	
<b>Cost of Services</b>	<b>- 424,010</b>	<b>-</b>	<b>- 424,010</b>	

# Gloucestershire Pension Fund

## Fund Account for the year ended 31<sup>st</sup> March 2017

2015/16		2016/17	Note
£'000		£'000	
<b>Contributions</b>			
-81,156	employer contributions	-87,923	N20
-17,292	members contributions	-17,625	N20
-98,448		-105,548	N7
<b>Transfers in from other pension funds</b>			
-1,131	individual transfers from other schemes or funds	-7,100	
-	group transfers from other schemes or funds	-94	
-1,131		-7,194	
<b>Other income</b>			
-139	recoveries for services provided	-151	N22
<b>Benefits</b>			
62,087	pensions	63,551	N32
8,506	commutation of pensions and lump sum retirement benefits	12,244	
1,344	lump sum death benefits	858	
71,937		76,653	N7
<b>Payments to and on account of leavers</b>			
115	refunds to members leaving scheme or fund	135	
50	payments for members joining state scheme or fund	42	
2,200	individual transfers to other schemes or funds	3,146	
1,078	group transfers to other schemes or funds	338	N30
3,443		3,661	
-24,338	<b>Net (addition) / withdrawals from dealings with members</b>	<b>-32,579</b>	
7,613	<b>Management Expenses</b>	<b>8,525</b>	N22 & N34
<b>Returns on investments</b>			
-24,696	Investment income	-27,305	N15 & N34
-27	Taxes on income	49	N3 & N15
48,019	Profit(-) and losses on disposal of investments and changes in value of investments	-334,803	N4 & N34
23,296	<b>Net returns on investments</b>	<b>-362,059</b>	
6,571	<b>NET INCREASE (-) / DECREASE IN THE NET ASSETS AVAILABLE FOR BENEFITS DURING THE YEAR</b>	<b>-386,113</b>	
1,709,074	<b>Opening net assets of the scheme</b>	<b>1,702,503</b>	
1,702,503	<b>Closing net assets of the scheme</b>	<b>2,088,616</b>	

# Gloucestershire Pension Fund

## Net Assets Statement as at 31<sup>st</sup> March 2017

2015/16 £'000		2016/17 £'000	Note
	<b>Investment assets</b>		
280,881	Bonds	280,713	N34
312,866	Equities	377,449	
952,078	Pooled investment vehicles	1,253,165	N34
127,532	Property unit trusts	133,718	N10 & N34
138	Derivative contracts	589	N2 & N17
5,219	Other investments - Venture Capital/Private Equity	5,328	N10
9,198	Cash held on behalf of the investment managers	21,509	
7,254	Other investment balances	5,522	
1,695,166		2,077,993	N14
	<b>Investment liabilities</b>		
-927	Derivative contracts	-153	N2 & N17
-1,789	Other investment balances	-2,720	
-2,716		-2,873	N14
1,692,450	<b>Total net investments</b>	2,075,120	
	<b>Long term assets</b>		
288	Contributions due from employers	334	
2,472	Other long term assets (debtors)	1,854	
2,760		2,188	N14 & N24
	<b>Current assets</b>		
3,773	Contributions due from employers	5,132	
286	Other current assets	238	
618	Money due re. transfer of staff to another pension scheme	618	
4,321	Cash balances	7,160	N2, N23, N27
8,998		13,148	N14 & N24
	<b>Current liabilities</b>		
-10	Unpaid benefits	-4	
-1,695	Other current liabilities	-1,836	
-1,705		-1,840	N14 & N25
1,702,503	<b>Net assets of the scheme available to fund benefits at the period end</b>	2,088,616	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 Local Government Pension Scheme is a statutory funded defined benefit pension scheme. Previously the Fund was "contracted out" of the state scheme but from the 1st April 2016 onwards all members have been contracted back into the state scheme in addition to being in the Pension Fund. 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 increased annually in line with the Consumer Prices Index.

The scheme is voluntary and made available to all (\*) employees except fire fighters, police and teachers (who have their own separate nationally-administered schemes). The Fund is financed by contributions paid in by the existing employees and their employers and by earnings from the investment of Fund monies. The number of contributors at 31st March 2017 was 18,986 (2016 18,630). 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)

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

*\* There are restrictions with some casual staff*

#### N2. Summary of significant accounting policies

##### Basis of preparation

The Statement of Accounts summarises the Funds' transactions for the 2016/17 financial year and its position at year end as at 31st March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 so far as amounts due have been determined in time for inclusion in the accounts. Any amount due in year but unpaid will be classed as a current financial asset. Benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid claims approved during the year. 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

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

- Standard Life Investments - UK Equities
- Hermes - Property Unit Trusts

Hermes deducts its fees from a combination of assets held and income distributions. GMO, TVP and Yorkshire Fund Managers (YFM) deduct their fees from the value of the assets under their management. Fees have been calculated for Hermes and GMO and included within Investment Management Expenses. Fees for TVP and YFM have not been included as they are the legal responsibility of the managers and not the Fund.

### 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 from quoted securities are accounted for when the security 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

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

## Valuation of assets

The SORP requires securities to be valued on a Fair Value Basis therefore assets, where there is an active and readily available market price, are valued at the bid price and liabilities on an offer price basis. Where assets do not actively trade through established exchange mechanisms a price is obtained from the manager of the investment asset. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates prevailing as at 31st March 2017. Purchases and sales during the year which require settlement in a foreign currency are converted from/to sterling at the exchange rate prevailing on the trade date. Fixed interest securities are recorded at net market value based on their yields. Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is re-invested in the fund, net of applicable withholding tax. Property within the property unit trusts are independently valued 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.

## Derivatives

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

## 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

2016/17

Asset Class	Market Value at 31 <sup>st</sup> March 2016 £'000	Purchases during the year at cost and derivative payments £'000	Sales proceeds during the year and derivative receipts £'000	Change in market value during the year £'000	Market Value at 31 <sup>st</sup> March 2017 £'000
Bonds	280,881	33,311	-63,892	30,413	280,713
Equities	312,866	729,279	-700,784	36,088	377,449
Pooled Investments	952,078	769,902	-735,819	267,004	1,253,165
Property Unit Trusts	127,532	7,871	-2,450	765	133,718
Private Equity	5,219	-	-	109	5,328
	1,678,576	1,540,363	-1,502,945	334,379	2,050,373
Derivative contracts:					
Futures	-29	2,269	-3,673	1,653	220
Forward currency contracts	-760	-	-	976	216
	-789	2,269	-3,673	2,629	436
Net Investment Assets	1,677,787	1,542,632	-1,506,618	337,008	2,050,809

In addition to the investments there was £37,807k (£24,716k 2015/16) in cash and accruals. Cash movements, currency adjustments and other end of year settlements totalled -£2,205k (£4,853k re-stated 2015/16). As a result the total profit (-) and losses on disposal of investments and changes in market value of investments was -£334.8m (£48.0m re-stated 2015/16).

Please see note N34(a) for details of changes to comparable figures.

2015/16

Asset Class	Market Value at 31 <sup>st</sup> March 2015 £'000	Purchases during the year at cost and derivative payments £'000	Sales proceeds during the year and derivative receipts £'000	Change in market value during the year £'000	Market Value at 31 <sup>st</sup> March 2016 £'000
Bonds	277,200	45,810	-34,464	-7,665	280,881
Equities	312,365	115,559	-92,476	-22,582	312,866
Pooled Investments*	978,743	17,256	-10,619	-33,302	952,078
Property Unit Trusts*	113,586	5,551	-1,232	9,627	127,532
Private Equity	4,587	135	-	497	5,219
	1,686,481	184,311	-138,791	-53,425	1,678,576
Derivative contracts:					
Futures	-46	725	-1,705	997	-29
Forward currency contracts	-316	-	-	-444	-760
	-362	725	-1,705	553	-789
Net Investment Assets	1,686,119	185,036	-140,496	-52,872	1,677,787

\*In addition to the investments there was £24,716k (£22,955k 2014/15) in cash and accruals. Cash movements, currency adjustments and other end of year settlements totalled £4,853 re-stated from £5,004k in 2015/16 (£6,196k 2014/15). As a result the total profit (-) and losses on disposal of investments and changes in market value of investments was £48.0m re-stated from £47.9m in 2015/16 (-£190.5m 2014/15).

An investment valued at £458k in 2015/16 was classified as a UK Property Unit Trust. Following further clarification this holding has now been deemed to be an Overseas Property Limited Liability Partnership and the 2015/16 comparable figures have been amended to reflect that movement.

Please see note N34(a & c) for details of changes to comparable figures.

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:

	2015/16		2016/17	
	£'000	%	£'000	%
Western Asset Management Company	370,280	21.7	426,733	20.4
BlackRock	486,382	28.6	1,034,454	49.5
CBRE	41,928	2.5	44,039	2.1
GMO	301,562	17.7	582	0.0
Standard Life Investments	394,396	23.2	465,480	22.3
Hermes Investment Management Property Unit Trust	92,629	5.4	98,404	4.7
Technology Venture Partners	3,056	0.2	3,453	0.2
Yorkshire Fund Managers (YFM)	2,163	0.1	1,875	0.1
<b>Total - External Managers</b>	<b>1,692,396</b>	<b>99.4</b>	<b>2,075,020</b>	<b>99.3</b>
In-house cash and accruals	10,053	0.6	13,496	0.7
Assets within the Transition account with the Custodian	0	0.0	10	0.0
Cash instruments with Custodian	54	0.0	90	0.0
	<b>1,702,503</b>	<b>100.0</b>	<b>2,088,616</b>	<b>100.0</b>

During 2016/17 a decision was made to dis-invest from GMO and after a portfolio reorganisation the assets were transferred to Blackrock.

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

## N6. Actuarial position of the Fund

- In line with the Local Government Pension Scheme 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 2016 and established the minimum contribution payments for the three years until 31st March 2020. The next valuation will take place as at March 2019.
- The estimate of the pension fund liability is subject to significant variations, based on changes to the underlying assumptions used - see below.

The results of the 2016 valuation gave a primary rate of 19.6% for the period 1st April 2017 to 31st March 2020 together with a secondary rate of £32,487k in 2017/18, £36,638k in 2018/19 and £40,905k in 2019/20. At the previous formal valuation at 31st March 2013, a different regulatory regime was in force, therefore a contribution rate that is directly comparable to the rates above is not provided. 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 2016 actuarial valuation report and the Funding Strategy Statement on the Fund's website. This rate of contribution is the rate which, in addition to the contributions paid by the members, should be sufficient to meet:

❖ 100% of the liabilities arising in respect of service after the valuation date;

❖ plus an adjustment over a period of 17 years (20 years for Primary Rate) to reflect the shortfall of the value of the County Council's notional share of the Fund's assets over 100% of its accrued liabilities, allowing, in the case of members in service, for future pay increases.

- The market value of the Fund's assets at the March 2016 triennial valuation date was £1,703m (£1,385m March 2013) and represented 79.7% (70.1% March 2013) of the Fund's accrued liabilities, allowing for future pay increases. When a valuation reveals a deficiency, the employer contribution rates are adjusted to target restoration of a solvent position over a period of years (the recovery period). The recovery period applicable for each participating employer is set by the Administering Authority in consultation with the Scheme Actuary and employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund.
- The contribution rate has been calculated using the projected evolution of each employers' section of the Fund and the main actuarial assumptions used are as follows:

	Funding Basis	
	2013	2016
Rate of return on investments (Discount Rate)	4.6% pa	4.0% pa
Rate of general pay increases *	3.8% pa	2.4% pa
Rate of increase to pensions in payment (in excess of guaranteed minimum pension)	2.5% pa	2.1% pa

\* Plus an allowance is also made for promotional pay increases.

- The full actuarial valuation reports for 2007, 2010, 2013 and 2016 are published on the County Council's website and can be viewed using the following web address:  
[www.gloucestershire.gov.uk/pensionsinvestments](http://www.gloucestershire.gov.uk/pensionsinvestments)
- See note N26 for details of the Actuarial Present Value of Promised Retirement Benefits.

## N7. Analysis of contributions receivable and benefits payable

	2015/16		2016/17	
	Contributions receivable £'000	Benefits payable £'000	Contributions receivable £'000	Benefits payable £'000
Gloucestershire County Council <i>[Administering authority]</i>	43,845	40,112	47,342	42,054
Scheduled bodies (146 16/17) (144 15/16)* <i>[Bodies admitted by right]</i>	45,686	28,732	49,627	30,722
Admitted bodies (43 16/17) (40 15/16)* <i>[Bodies admitted by agreement]</i>	8,917	3,093	8,579	3,877
	98,448	71,937	105,548	76,653

Scheduled bodies now include 80 (78 15/16) schools who have converted to academy status.

\* These numbers relate to active employers with active members

## N8. Statement of Investment Principles

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

The Statement of Investment Principles was in place during the reporting period of these accounts, however on the 1st April 2017 it was superseded by an Investment Strategy Statement. The Pension Fund's Investment Strategy Statement is available to view on the County Council's website at [www.gloucestershire.gov.uk/pensionsinvestments](http://www.gloucestershire.gov.uk/pensionsinvestments)

## 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.

	2015/16 £'000	2016/17 £'000
<b>Administrative expenses</b>	1,553	1,968

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 Director: Strategic Finance's remuneration costs were recharged to the Fund to reflect time spent. These consisted of salary, fees and allowances of £10,921 (£10,813 2015/16) and employers' pension contributions of £3,047 (£2,801 2015/16).

The Director: Strategic Finance is a member of the Fund as a contributing Gloucestershire County Council employee. This does not impact on her role as Finance Director and S151 officer, which is clearly defined.

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.

Five members of the Pension Committee, excluding the District Council Representative, are also District Council members and these are detailed below:

Member	District Council
Cllr. D. Brown	Gloucester City Council
Cllr. C. Hay	Cheltenham Borough Council
Cllr. L. Stowe	Cotswold District Council
Cllr. R. Theodoulou	Cotswold District Council
Cllr. S. Parsons	Cotswold District Council

In addition Councillor L. Stowe is Cotswold District Council's nominated shareholder for Ubico Limited, Councillor C. Hay sits on the Boards of Cheltenham Borough Homes and Cheltenham Leisure & Culture Trust, a close relative of a Pension Committee member is in receipt of pension benefits and Councillor N. Cooper is a governor of Archway School. Ubico Limited, Cheltenham Borough Homes, Cheltenham Leisure & Culture Trust 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.

**N9a Key management personnel**

The key management personnel of the Fund are the Section 151 Officer and the Head of Pensions position. The Section 151 Officer's costs have not been included as the Pension Fund is recharged on a time spent basis and her salary is accounted for in Gloucestershire County Council's accounts. Total remuneration payable to the Joint Head of Pensions position, 1.3 full time equivalent (F.T.E.), (0.9 F.T.E. 2015/16) is set out below.

	2015/16 £'000	2016/17 £'000
Short-term benefits	64	99
Post-employment benefits	18	69
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<b>82</b>	<b>168</b>

**N10. Contingent liabilities and contractual commitments**

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

	<b>Total Commitment</b>	<b>Outstanding liability 2015/16</b>	<b>Outstanding liability 2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chandos Fund	<b>3,000</b>	151	<b>151</b>
CBRE	<b>30,000</b>	151	<b>151</b>
	<b>33,000</b>	302	<b>302</b>

**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 (15/16 £38,504) has been recorded for possible additional contributions from ex members of staff, during 2017/2018 and future years.

**N12. Unquoted holdings**

The following holdings are unquoted:

	2015/16 £'000	2015/16 £'000 re-stated	2016/17 £'000
<u>Pooled investment vehicles</u>			
Overseas equity unitised insurance policy	422,424	422,424	561,170
Global equity unitised insurance policy	-	-	345,334
Global multi asset unitised insurance policy	75,700	75,700	76,646
Global equity managed fund	301,562	301,562	582
UK property managed fund	-	-	2,565
UK property limited liability partnership	4,981	4,981	3,947
Overseas property limited liability partnership*	-	458	138
Overseas fixed interest limited liability partnerships	4,517	4,517	11,208
	809,184	809,642	1,001,590
<u>Property unit trusts</u>			
UK property unit trust*	22,820	22,362	21,535
Overseas property unit trust	12,541	12,541	13,780
	35,361	34,903	35,315
<b>Total</b>	<b>844,545</b>	<b>844,545</b>	<b>1,036,905</b>

\* An investment valued at £458k in 2015/16 was classified as a UK Property Unit Trust, following further clarification, this holding has now been deemed to be an Overseas Property Limited Liability Partnership and the 2015/16 comparable figures have been amended to reflect that movement. See Note N34 (c).

**N13. Stocklending**

The Pension Funds' custodian has been authorised to release stock to third parties under a stock lending arrangement. At 31st March 2017 the value of stock out on loan was £22.7m (2015/16 £19.6m) of which £16.2m (£14.2m) was in UK equities, £6.3m (£4.9m) in UK and Overseas Government stock and £0.2m (£0.5m) in Corporate Bonds. Collateral of £25.0m (£20.7m) equal to 111% (106%) of stock out on loan was held in the form of UK, Austrian Sovereign bonds, G10 Overseas Government debt, AAA rated fixed interest stock issued by Supranational bodies and a restrictive list of equities indices. 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**

	2015/16 £'000	2016/17 £'000	Note
<b>Financial assets</b>			
<b>Bonds</b>			
UK - Public Sector - Quoted	155,854	<b>156,293</b>	N34(b)
- Corporate - Quoted	94,743	<b>98,394</b>	
Overseas - Public Sector - Quoted	23,455	<b>23,723</b>	
- Corporate - Quoted	6,829	<b>2,303</b>	
	<b>280,881</b>	<b>280,713</b>	N34(b)
<b>Equities</b>			
UK - Quoted	312,866	<b>377,449</b>	
<b>Pooled investment vehicles</b>			
<b>Unit Trusts</b>			
Overseas - Equities - Quoted	63,921	<b>127,912</b>	
<b>Unitised Insurance Policies</b>			
Overseas - Equities - Unquoted *	422,424	<b>561,170</b>	
Global - Equities - Unquoted	-	<b>345,334</b>	
Global - Multi Asset - Unquoted	75,700	<b>76,646</b>	
<b>Other Managed Funds</b>			
<b>O.E.I.C.'s</b>			
Overseas - Fixed interest - Quoted *	78,515	<b>123,663</b>	
Global - Equities - Unquoted	301,562	<b>582</b>	
UK - Property - Unquoted	-	<b>2,565</b>	
<b>Limited Liability Partnerships</b>			
UK - Property - Unquoted	4,981	<b>3,947</b>	
Overseas - Property - Unquoted	458	<b>138</b>	N34 (c)
Overseas - Fixed interest - Unquoted	4,517	<b>11,208</b>	
	<b>952,078</b>	<b>1,253,165</b>	
<b>Property Unit Trusts</b>			
UK - Quoted	92,629	<b>98,403</b>	N34 (b)
- Unquoted	22,362	<b>21,535</b>	
Overseas - Unquoted	12,541	<b>13,780</b>	
	<b>127,532</b>	<b>133,718</b>	N10
<b>Derivative Contracts</b>			
Futures - UK	-	<b>225</b>	
- Overseas	29	<b>-</b>	
Forward foreign exchange contracts	109	<b>364</b>	
	<b>138</b>	<b>589</b>	N17
<b>Other Investments</b>			
Venture Capital/Private Equity - UK	5,219	<b>5,328</b>	N10
<b>Cash (Managers)</b>			
Cash instruments - UK	4,943	<b>17,187</b>	
- Overseas	1,532	<b>1,534</b>	
Cash deposits - UK	2,336	<b>2,548</b>	
- Overseas	387	<b>240</b>	
	<b>9,198</b>	<b>21,509</b>	
<b>Other investment balances</b>			
<b>Debtors</b>			
Outstanding settlement of investment transactions	2,979	<b>1,099</b>	
Accrued dividend income and tax reclaims due on dividend income	4,275	<b>4,423</b>	
	<b>7,254</b>	<b>5,522</b>	
<b>Total Financial Assets</b>	<b>1,695,166</b>	<b>2,077,993</b>	

	2015/16 £'000	2016/17 £'000	
<b>Financial Liabilities</b>			
Derivative Contracts			
Futures - UK	-58	-	
- Overseas	-	-5	
Forward foreign exchange contracts	-869	-148	
	-927	-153	N17
Other investment balances			
Creditors			
Outstanding settlement of investment transactions	-1,789	-2,720	
<b>Total Financial Liabilities</b>	-2,716	-2,873	
<b>Long Term Assets</b>			
Contributions due from employers	288	334	
Money due re. transfer of staff to another pension scheme	2,472	1,854	
	2,760	2,188	N24
<b>Current Assets</b>			
Contributions due from employers	3,773	5,129	
Other current assets (debtors)	286	241	
Money due re. transfer of staff to another pension scheme	618	618	
Cash balances	4,321	7,160	N23
	8,998	13,148	N24
<b>Current Liabilities</b>			
Unpaid benefits	-10	-4	
Other liabilities (creditors)	-1,695	-1,836	
	-1,705	-1,840	N25
<b>TOTAL</b>	1,702,503	2,088,616	

\* These overseas pooled funds may incorporate some UK assets.

Fixed interest securities and Index-linked securities, previously identified separately, are now amalgamated under the heading of Bonds.

There is no longer a requirement to separately identify same asset classifications between those managed from within the UK and those managed from outside the UK. This has therefore been removed and assets combined where applicable. Please see Note N34 (b) for more details.

# **N15. Investment income**

Investment income arises from the following investment categories:

	2015/16 £'000	2015/16 £'000 re-stated	2016/17 £'000
Fixed interest	6,853	-	-
Index-linked	1,825	-	-
	<u>8,678</u>		
Bonds	-	8,678	<b>8,879</b>
Equities	10,582	10,582	<b>11,614</b>
Pooled investment vehicles	* 5,192	5,293	<b>6,326</b>
Interest on cash deposits	72	72	<b>84</b>
Private equity	-	-	<b>300</b>
Other income from stocklending, underwriting and class actions	71	71	<b>102</b>
	<u>24,595</u>	<u>24,696</u>	<u><b>27,305</b></u>
Withholding tax	27	27	<b>-49</b>
	<u>24,622</u>	<u>24,723</u>	<u><b>27,256</b></u>

\* The 2015/16 figure has been increased by £101k to incorporate property unit trust expenses which had been netted off dividend income at source. The investment management fees for 2015/16 have been increased as a consequence by £101k. Please see Note 34 (a) - Changes to Comparative Figures.

Fixed interest securities and Index-linked securities are now amalgamated under Bonds as per the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. The totals for 2015/16 have therefore been amalgamated.

# **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 2016 £'000	31st March 2017 £'000
Prudential	7,227	<b>7,195</b>
Phoenix Life	<u>60</u>	<u><b>52</b></u>
	<u>7,287</u>	<u><b>7,247</b></u>

AVC contributions of £586k were paid directly to Prudential during the year (£602k 15/16) and included additional death in service premiums of £6k (£6k 15/16). No contributions were paid to Phoenix Life.

**N17. Derivatives**

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

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

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.

In the table below, the 'notional value' of the stock purchases under futures contracts is the economic exposure and the value subject to market movements as at 31<sup>st</sup> March 2017.

**Derivative Contract Analysis**

	<b>Contract type*</b>	<b>2015/16 Notional Value £'000</b>	<b>2016/17 Notional Value £'000</b>	<b>Expiration</b>	<b>2015/16 Market Value £'000</b>	<b>2016/17 Market Value £'000</b>
<b>INVESTMENT ASSETS</b>						
<u>Futures</u>						
UK - Fixed Interest						
UK Long Gilt Future	ET	-	<b>15,054</b>	Less than 3 months	-	<b>225</b>
UK Futures		-	<b>15,054</b>		-	<b>225</b>
Overseas - Fixed Interest						
US Treasury Bond Future	ET	-3,663	-	Less than 3 months	29	-
Overseas Futures		-3,663	-		29	-
Total Futures		-3,663	<b>15,054</b>		29	<b>225</b>
<u>Forward foreign exchange contracts</u>	OTC	9,157	<b>32,935</b>	Less than 6 months	109	<b>364</b>
<b>Total Derivative Assets</b>		<b>5,494</b>	<b>47,989</b>		<b>138</b>	<b>589</b>
<b>INVESTMENT LIABILITIES</b>						
<u>Futures</u>						
UK - Fixed Interest	ET	20,850	-	Less than 3 months	-58	-
UK Futures		20,850	-		-58	-
Overseas - Fixed Interest						
US Treasury Bond Future	ET	-	<b>-899</b>	Less than 3 months	-	<b>-5</b>
Overseas Futures		-	<b>-899</b>		-	<b>-5</b>
Total Futures		20,850	<b>-899</b>		-58	<b>-5</b>
<u>Forward foreign exchange contracts</u>	OTC	43,167	<b>24,612</b>	Less than 6 months	-869	<b>-148</b>
<b>Total Derivative Liabilities</b>		<b>64,017</b>	<b>23,713</b>		<b>-927</b>	<b>-153</b>
<b>Net Futures</b>					<b>-789</b>	<b>436</b>

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

The total Futures' initial margin for 2016/17 was £0.3m (£0.4m 2015/16) and the total variation margin was -£0.01m (£0.4m 2015/16). The initial margin is an amount of money deposited by both buyers and sellers of Futures contracts to ensure performance of the terms of the contract. The variation margin reflects the accumulated cash flows from the daily marking to market that accrues in the futures broker's account.

A breakdown of the open forward foreign exchange contracts at 31st March 2017 is given below:-

**Open Forward Currency Contracts at 31st March 2017**

Settlement	Currency bought	Local Value 000	Currency sold	Local Value 000	Asset Value £000	Liability Value £000
Up to six months	GBP	5,673	SEK	62,173	99	
Up to six months	GBP	8,829	EUR	10,208	90	
Up to three months	JPY	462,320	USD	4,052	82	
Up to six months	GBP	3,843	USD	4,761	39	
Up to six months	GBP	2,509	EUR	2,894	29	
Up to six months	GBP	3,331	JPY	462,151	13	
Up to six months	GBP	4,673	USD	5,845	8	
Up to six months	GBP	311	JPY	43,007	2	
Up to six months	GBP	155	NZD	278	1	
Up to six months	GBP	364	HKD	3,527	1	
Up to six months	GBP	272	SGD	476		0
Up to six months	GBP	1,125	AUD	1,853		-1
Up to three months	GBP	1,454	EUR	1,710		-10
Up to six months	USD	2,150	GBP	1,736		-19
Up to six months	GBP	8,800	USD	11,067		-42
Up to six months	GBP	11,225	USD	14,143		-76

**Open Forward Currency Contracts at 31st March 2017**

**Net forward currency contracts at 31st March 2017**

364	-	148
		<u>216</u>

**Prior year comparative**

Open forward currency contracts at 31st March 2016

Net forward currency contracts at 31st March 2016

109	-	869
		<u>- 760</u>

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

At 31<sup>st</sup> March 2017 the Pension Fund held five, (2015/16, three) investments that each exceeded 5% of the total value of the net assets of the scheme. These are detailed as follows:

<b>Investments exceeding 5% of Total Net Assets</b>	<b>2015/16</b>		<b>2016/17</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
* BlackRock Global Equity Fund	422,424	24.8	561,170	26.9
* BlackRock Aquila Life MSCI Developed World (unhedged)	-	-	172,816	8.3
* BlackRock Aquila Life MSCI Developed World (hedged)	-	-	172,518	8.2
* BlackRock Emerging Markets Index Fund	**	**	127,912	6.1
* Legg Mason Global Funds - WA GMS	**	**	122,525	5.9
GMO World Equity Allocation Investment Fund	301,562	17.7	**	**
Hermes Property Unit Trust	92,629	5.4	**	**
	<b>816,615</b>	<b>47.9</b>	<b>1,156,941</b>	<b>55.4</b>

*The BlackRock Global and Aquila Life Funds are Unitised Insurance Policies investing in global equities and the developed world, excluding emerging markets, respectively. Blackrock Emerging is a Unit Trust investing in emerging markets.*

*The Legg Mason Global Fund is an O.E.I.C. investing in overseas fixed interest.*

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

*Hermes Property Unit Trust is a Property Unit Trust*

*\* Indicates assets which are in excess of 5% of both net assets and their asset class for 2016/17*

*\*\*Investment held is below 5% of total net asset and/or asset class*

<b>Investments exceeding 5% of their Asset Class</b>	<b>2015/16</b>		<b>2016/17</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
<b>Bonds</b>				
Treasury 4.25% 2040	28,275	15.5	26,792	9.5
United Kingdom IL 1.25% 2027	13,580	13.0	15,095	5.4
United Kingdom IL 2.00% 2035	-	-	14,887	5.3
Treasury 3.75% 2021	14,470	7.9	-	-
Treasury 4.25% 2039	9,680	5.3	***	***
United Kingdom IL 1.875% 2022	14,809	14.2	***	***
Treasury IL Variable Rate 2035	13,002	12.5	***	***
United Kingdom IL 1.125% 2037	10,891	10.5	***	***
Treasury IL 1.25% 2055	9,560	9.2	***	***
US Treasury IL 1.375% 2044	9,105	8.7	***	***
United Kingdom IL 0.375% 2062	8,776	8.4	***	***
United Kingdom IL 1.25% 2032	8,287	8.0	***	***
Treasury IL 0.75% 2047	5,225	5.0	***	***

*\*\*\*Previously Bonds were split between Fixed Interest Securities and Index-linked Securities meaning that some holdings which were in excess of 5% of their asset class in 2015/16 and listed above are not in excess of 5% of the new combined asset class in 2016/17*

**Pooled investment vehicles**

* Blackrock Global Equity Fund	422,424	44.6	561,170	44.8
* BlackRock Aquila Life MSCI Developed World (unhedged)	-	-	172,816	13.8
* BlackRock Aquila Life MSCI Developed World (hedged)	-	-	172,518	13.8
GMO World Equity Allocation Investment Fund	301,562	31.9	**	**
* Legg Mason Global Funds - WA GMS	77,569	8.2	122,525	9.8
Standard Life Global Absolute Return Strategies Fund	75,700	8.0	76,646	6.1
* Blackrock Emerging Markets Index Fund	63,921	6.8	127,912	10.2

**Property unit trusts**

Hermes Property Unit Trust	92,629	72.4	98,403	73.6
Global Alpha Fund	8,771	6.9	10,304	7.7

**Derivative futures contracts - assets**

UK Long Gilt Future (ICF) Exp Jun 17	-	-	225	100.0
US Treasury Bond Future (CBT) Exp Jun 16	18	61.1	-	-
US Ultra Bond (CBT) Exp Jun 16	11	38.9	-	-

**Derivatives futures contracts - liabilities**

US Ultra Bond (CBT) Exp Jun17	-	-	-5	100.0
UK Long Gilt Future (LIF) Exp Jun 16	-58	100.0	-	-

**Other investments - Venture Capital/Private Equity**

South West Venture Fund	3,056	58.6	3,453	64.8
Chandos Fund	2,163	41.4	1,875	35.2

*\*\* Investment held is below 5% of total net asset and/or asset class*

**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.

	2015/16 £'000	2016/17 £'000
Discretionary Payments	1,102	1,088

**N20. Contributions breakdown**

	2015/16 £'000	2016/17 £'000
From Employers:		
Normal	42,830	43,436
Augmentation	-	-
Deficit Funding	37,080	41,485
Other	1,246	3,002
	<b>81,156</b>	<b>87,923</b>
From Members:		
Normal	16,967	17,319
Additional Voluntary	325	306
	<b>17,292</b>	<b>17,625</b>

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 20 years.

Other contributions are those contributions paid by an employer to compensate the Pension Fund for early retirement costs, excess ill health retirement costs or to improve their funding levels.

These payments follow the principles outlined in the Funding Strategy Statement. Early retirement costs are usually paid in one lump sum or were historically paid over several years dependent on the status of the employer. When a payment is spread there is an extra cost to reflect the delay in total payment. There are currently no early retirement costs being spread; however at 31<sup>st</sup> March 2017 £0.4m (2015/16 £0.04m) was due to the Pension Fund for early retirements, which have been accrued.

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

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 2017 use the valuations for the Fund's assets provided by our custodian, BNY Mellon Asset Servicing SA/NV. This reflects the position of the custodian who is ultimately the master book of record. Fund Managers must make sure that their records agree with those kept by the custodian, although the investment values may be obtained from different sources. Using the custodian's valuations ensures that the various portfolios are priced consistently, so that the same stocks, in different portfolios, are valued on the same basis. Investments held in custody by BNY Mellon Asset Servicing SA/NV on behalf of the Pension Fund, are ring-fenced from the assets of the Bank and segregated within its books as belonging to Gloucestershire County Council's Pension Fund.

**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>	2015/16	2015/16 re-stated	2016/17
	£'000	£'000	£'000
Investment management expenses */**	6,186	6,136	<b>6,698</b>
Administration expenses	1,002	1,002	<b>1,133</b>
Oversight & governance	475	475	<b>694</b>
	<b>7,663</b>	<b>7,613</b>	<b>8,525</b>

\* Please see a more detailed breakdown of the investment management expenses below.

\*\* Investment management expenses for 2015/16 previously £6,186k have been re-stated following new advice by the Chartered Institute of Public Finance & Accountancy (CIPFA). Fees from three pooled funds of £50k have been removed as they were the legal responsibility of the pooled fund rather than a direct charge to the Pension Fund. In addition property unit trust expenses of £101k were discovered to have been netted off dividend income therefore these expenses have been added to the investment management expenses and dividend income has been increased by a corresponding amount. Please see note N34 (a). The re-stated figures on the more detailed breakdown of the Investment management expenses are given below.

The increase in Administration Expenses is largely due to an increase in overhead recharges and legal fees arising from employer queries. The increase in Oversight & Governance is mainly due to Pooling costs resulting from the Government's pooling of investment initiative and actuarial fees including those as a result of the triennial valuation.

Within Oversight and Governance costs there were actuarial expenses of £135,313 (£109,830 2015/16) 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.

	2015/16	2015/16 re-stated	2016/17
<b>Investment management expenses*/**</b>	£'000	£'000	£'000
Fund value based management fees - invoiced	2,982	3,082	<b>3,237</b>
- deducted from investment	1,970	1,820	<b>1,716</b>
	<b>4,952</b>	<b>4,902</b>	<b>4,953</b>
Performance fee - invoiced	117	117	-
- deducted from investment	346	346	<b>377</b>
	<b>463</b>	<b>463</b>	<b>377</b>
	<b>5,415</b>	<b>5,365</b>	<b>5,330</b>
Transaction costs			
- equities		685	<b>1,222</b>
- derivatives		4	<b>3</b>
- pooled funds		6	<b>3</b>
	<b>695</b>	<b>695</b>	<b>1,228</b>
Custody costs	76	76	<b>118</b>
Tax and legal costs	-	-	<b>22</b>
	<b>6,186</b>	<b>6,136</b>	<b>6,698</b>



The management fees disclosed above 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.

Following poor performance the Pension Committee decided to move investments from one manager to another existing manager. The portfolio restructure resulted in increased transaction and custody costs and also incurred costs for tax advice and legal expenses.

### 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 £1,227,659 (£694,532 2015/16) 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 have increased in 2016/17 largely due to a re-organisation of investment managers which resulted in a large number of equities being sold and purchased to establish the new portfolio.

### N23. Cash

From the 1<sup>st</sup> April 2010 the Pension Fund has had its own bank account. At 31<sup>st</sup> March 2017 cash of £7.2m (£4.3m in 2015/16) was invested through the County Council's short-term investment procedures. During the year the average investment balance was £8.8m (£2.3m 2015/16) earning interest of £33.6k (£36.6k 2015/16).

### N24. Current & long term assets

	2015/16 £'000	2016/17 £'000
<b>Current assets</b>		
Contributions due - Employees	761	745
Contributions due - Employers	3,012	4,387
Sundry debtors	286	238
Money due re. transfer of staff to another pension scheme	618	618
	4,677	5,988
Cash balances	4,321	7,160
	8,998	13,148
<b>Current assets</b>		
	2015/16 £'000	2016/17 £'000
Analysis of debtors		
Central government bodies	955	1,095
Other local authorities	1,199	2,039
NHS bodies	14	223
Public corporations and trading funds	-	-
Academies	938	946
Bodies external to general government	1,571	1,685
	4,677	5,988
	2015/16 £'000	2016/17 £'000
<b>Long term assets</b>		
Central government bodies	2,472	1,854
Other entities and individuals	288	334
	2,760	2,188

One central government body has transferred to another pension fund and the resulting bulk transfer value due is being paid over a number of years. The total amount was credited to the Pension Fund and an accrual has been made for the outstanding amount. The accrual will be rolled forward each year and adjusted for payments made. A payment of £618,000 is due to the Pension Fund within the next twelve months.

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 £3,000 is due to the Pension Fund within the next twelve months.

## N25. Current liabilities

	2015/16 £'000	2016/17 £'000
Benefits payable	-10	-4
Sundry creditors	-1,695	-1,836
	-1,705	-1,840
Analysis of creditors	2015/16 £'000	2016/17 £'000
Central government bodies	-649	-655
Other local authorities	-64	-189
Academies	-	-
Bodies external to general government	-992	-996
	-1,705	-1,840

## 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 2016.

### Balance Sheet:

Year Ended	31 <sup>st</sup> March 2016 £m	31 <sup>st</sup> March 2017 £m
Present Value of Promised Retirement Benefits	2,569	3,021

### Net Assets Available for Benefits

Year Ended	31 <sup>st</sup> March 2016 £m	31 <sup>st</sup> March 2017 £m
Net assets	1,703	2,089

The assumptions used are suitable for IAS19 purposes as required by the Code of Practice; these differ from those used at the 31st March 2016. It is estimated that the impact of the change of assumptions to 31st March 2017 is to increase the actuarial present value by £443m (15/16 decrease of £252m). It is estimated that the impact of the change in demographic and longevity assumptions decreased the actuarial present value by £11m.

### Significant Actuarial Assumptions Used

#### Financial assumption:

Year Ended	31 <sup>st</sup> March 2016 % pa	31 <sup>st</sup> March 2017 % pa
Inflation/Pension Increase Rate	2.2	2.4
Salary Increase Rate	3.7	2.7
Discount Rate	3.5	2.6

#### Longevity assumption:

The life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to 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 2017	Males	Females
	Years	
Current Pensioners	22.4	24.6
Future Pensioners **	24.0	26.4

Longevity assumptions as at 31st March 2016	Males	Females
	Years	
Current Pensioners	22.5	24.6
Future Pensioners **	24.4	27.0

\*\* Future pensioners are assumed to be aged 45 at the most recent formal valuation as at 31st March 2016.

#### Commutation assumption:

An allowance is included for future retirements to elect to take 35% (50% 2015/16) of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 68% (75% 2015/16) 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 2017	Approximate % increase to liabilities %	Approximate monetary amount £m
0.5% p.a. increase in the Pension Increase Rate	8	234
0.5% p.a. increase in the Salary Increase Rate	2	60
0.5% p.a. decrease in the Real Discount Rate	10	299

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 manager and considers and takes advice on the nature of the investments made and associated risks.

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

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

### **Market Risk**

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

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical, industry sectors, individual securities, investment mandate guidelines and Investment Managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the Committee as well as appropriate monitoring of market conditions and benchmark analysis.

### **Other Price Risk**

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

Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited. The Investment Managers mitigate this price risk through diversification in line with their own investment strategies and mandate guidelines.

### Other Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of return experienced by each investment portfolio during the year to 31<sup>st</sup> March 2017. The volatility data is broadly consistent with a one-standard deviation movement in the value of the assets. The analysis assumes that all other variables remain constant.

Movements in market prices would have increased or decreased the assets, as held by the Fund's custodian, at 31<sup>st</sup> March 2017 by the amounts shown below:

<b>As at 31st March 2017</b>	Value	Volatility of	Value on	Value on
	£'000	return	Increase	Decrease
		%	£'000	£'000
UK Bonds	153,305	7.94%	165,477	141,132
UK Index Linked Gilts	101,382	13.23%	114,795	87,969
Overseas Bonds	160,898	6.24%	170,938	150,858
UK Equities	377,449	9.68%	413,986	340,912
Multi National Equities	1,111,644	9.90%	1,221,696	1,001,591
UK Property	126,449	2.08%	129,079	123,819
Overseas Property	13,918	15.73%	16,107	11,728
Venture Capital/Private Equity	5,328	6.96%	5,699	4,957
	<b>2,050,373</b>		<b>2,237,777</b>	<b>1,862,966</b>
<b>Total Gloucestershire Fund</b>	<b>2,050,373</b>	<b>6.69%</b>	<b>2,187,543</b>	<b>1,913,203</b>

<b>As at 31st March 2016 re-stated*</b>	Value	Volatility of	Value on	Value on
	£'000	return	Increase	Decrease
		%	£'000	£'000
UK Bonds	158,406	6.9	169,352	147,460
UK Index Linked Gilts	92,190	10.0	101,437	82,943
Overseas Bonds	113,317	6.0	120,184	106,450
UK Equities	312,866	10.1	344,465	281,266
Multi National Equities	863,606	9.8	947,894	779,318
UK Property	119,972	2.0	122,431	117,513
Overseas Property	12,999	14.6	14,899	11,099
Venture Capital/Private Equity	5,219	14.5	5,973	4,465
	<b>1,678,575</b>		<b>1,826,635</b>	<b>1,530,514</b>
<b>Total Gloucestershire Fund</b>	<b>1,678,575</b>	<b>7.1%</b>	<b>1,796,915</b>	<b>1,560,236</b>

<b>As at 31st March 2016</b>	Value	Volatility of	Value on	Value on
	£'000	return	Increase	Decrease
		%	£'000	£'000
UK Bonds	169,897	6.9	181,636	158,157
UK Index Linked Gilts	92,190	10.0	101,437	82,943
Overseas Bonds	101,827	6.0	107,997	95,656
UK Equities	312,866	10.1	344,465	281,266
Multi National Equities	863,606	9.8	947,894	779,318
UK Property	120,429	2.0	122,898	117,961
Overseas Property	12,541	14.6	14,375	10,708
Venture Capital/Private Equity	5,219	14.5	5,973	4,465
	<b>1,678,575</b>		<b>1,826,675</b>	<b>1,530,474</b>
<b>Total Gloucestershire Fund</b>	<b>1,678,575</b>	<b>7.1%</b>	<b>1,796,915</b>	<b>1,560,236</b>

\*Some holdings have been moved to different categories and the comparable figures for 2015/16 have been re-stated to reflect that.

### 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 2017 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, have averaged 2.69% (2015/16 3.05%) and moved between a high of 3.64% (4.4% 2015/16) and a low of 1.13% (2% 2015/16). As at the end of March 2017 this yield was 1.65% (2.2% 2015/16). 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 2017  £'000	Change in the year in the net assets available to pay benefits	
		+100BPS (1% increase)	-100BPS (1% decrease)
		£'000	£'000
Cash held directly by the Fund	7,160	-	-
Cash and cash equivalents held on behalf of the Fund	21,509	-	-
Bond Portfolio - Fixed Interest Securities excluding cash	417,394	-45,528	45,528
	446,063	-45,528	45,528

Assets exposed to interest rate risk	Carrying amount as at 31st March 2016  £'000	Change in the year in the net assets available to pay benefits	
		+100BPS (1% increase)	-100BPS (1% decrease)
		£'000	£'000
Cash held directly by the Fund	4,321	-	-
Cash and cash equivalents held on behalf of the Fund	9,198	-	-
Bond Portfolio - Fixed Interest Securities excluding cash	362,380	-43,491	43,491
	375,899	-43,491	43,491

#### 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 Funds performance measurement service, the likely volatility associated with foreign exchange rate movements is considered to be 8.5% (as measured by one standard deviation).

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

A 8.5% 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:

2016/17 Currency exposure - Asset type	Asset value	Change to net assets	
	as at	available to pay benefits	
	31st March 2017 £'000	£'000 +8.5%	£'000 -8.5%
Global Fixed Interest	-	-	-
UK Equities	316	343	289
Global Equities	181,309	196,720	165,898
Emerging Market Equities	127,912	138,785	117,039
	<u>309,537</u>	<u>335,848</u>	<u>283,226</u>

2015/16 Currency exposure - Asset type	Asset value	Change to net assets	
	as at	available to pay benefits	
	31st March 2016 £'000	£'000 +6.3%	£'000 -6.3%
Global Fixed Interest	432	460	405
UK Equities	449	477	421
Global Equities	688,006	731,350	644,662
Emerging Market Equities	64,144	68,185	60,103
	<u>753,031</u>	<u>800,472</u>	<u>705,591</u>

**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 Fund manages its risk by monitoring the credit quality and financial position of the custodian.

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

The Fund's bond portfolios have significant credit risk through its underlying investments. This risk is managed through diversification across sovereign and corporate entities, credit quality and maturity of bonds. The market prices of bonds incorporate an assessment of credit quality in their valuation which reflects the probability of default (the yield of a bond will include a premium that will compensate for the risk of default).

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 31<sup>st</sup> March 2017 is set out below.

### Credit Analysis

<b>31<sup>st</sup> March 2017</b>	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000
UK Gilts	-	55,322	-	-	-	-	-
UK Index Linked	-	101,783	-	-	-	-	-
Overseas Govt Bonds	13,289	-	-	-	-	-	-
Overseas Inflation-linked	10,604	-	-	-	-	-	-
Corporate Bonds	-	6,140	39,863	29,879	14,842	-	1,838
Asset Backed	1,151	-	3,176	12,494	2,029	-	-
Emerging Markets	-	-	523	-	854	-	-
Mortgages	-	1,082	-	-	-	-	-
Supra/Sov/Local Govts	-	-	-	-	-	-	-
Cash/Cash Equivalents/Currency Forwards	-	892	-	-	-	-	8,670
	<b>25,044</b>	<b>165,219</b>	<b>43,562</b>	<b>42,373</b>	<b>17,725</b>	<b>-</b>	<b>10,508</b>
% of Fixed Interest Portfolio	8.2	54.3	14.3	13.9	5.8	-	3.5

<b>31<sup>st</sup> March 2016</b>	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	B £'000	Unrated £'000
UK Gilts	62,670	-	-	-	-	-	-
UK Index Linked	92,596	-	-	-	-	-	-
Overseas Govt Bonds	11,592	-	-	-	-	-	-
Overseas Inflation-linked	10,819	-	-	-	-	-	-
Corporate Bonds	-	2,597	43,519	27,500	8,158	-	1,682
Asset Backed	1,100	1,373	5,459	11,638	1,739	-	-
Emerging Markets	-	-	495	-	1,806	-	-
Mortgages	-	1,057	-	-	-	-	-
Supra/Sov/Local Govts	3,136	-	-	-	-	-	-
Cash/Cash Equivalents/Currency Forwards	1,432	-	-	262	-	-	2,433
	<b>183,345</b>	<b>5,027</b>	<b>49,473</b>	<b>39,400</b>	<b>11,703</b>	<b>-</b>	<b>4,115</b>
% of Fixed Interest Portfolio	62.6	1.7	16.9	13.4	4.0	0.0	1.4



**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 2017 is shown below:

	<b>Balances as at 31st March 2016</b>		<b>Balances as at 31st March 2017</b>	
<b>Account Name</b>	<b>Rating*</b>	<b>£'000</b>	<b>Rating*</b>	<b>£'000</b>
Standard Life Sterling Liquidity Fund	AAAm	1,542	AAAm	<b>4,831</b>
Federated Short Term Sterling Prime Fund	AAAm	2,725	AAAm	<b>1,810</b>
HSBC Instant Access	A1+/AA-	195	A1+/AA-	<b>66</b>
HSBC Current Account	A1+/AA-	-141	A1+/AA-	<b>-19</b>
Goldman Sach		-	AAAm	<b>472</b>
<b>Total</b>		<b>4,321</b>		<b>7,160</b>

\* Ratings quoted are all Standard and Poors as at 31st March 2017 and 2016

**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 which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted Equities	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted Bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year end	Not required	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
Pooled investments	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published.	Unobservable inputs	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.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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

### 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 2017.

	Assessed valuation range (+/-)	Value at 31st March 2017 £'000	Value on increase £'000	Value on decrease £'000
UK property pooled funds	2%	112,078	114,320	109,836
Overseas property pooled funds	16%	2,872	3,332	2,412
Private equity	7%	5,328	5,701	4,955
<b>Total</b>		<b>120,278</b>	<b>123,353</b>	<b>117,203</b>

### 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
<b>Values at 31st March 2017</b>				
Financial assets at fair value through profit and loss	397,188	1,552,064	120,278	2,069,530
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	-	-
Investment manager cash and accruals				5,590
<b>Net Investments Assets</b>	<b>397,188</b>	<b>1,552,064</b>	<b>120,278</b>	<b>2,075,120</b>
	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Values at 31st March 2016</b>				
Financial assets at fair value through profit and loss	1,114,264	456,047	113,951	1,684,262
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	-	-
Investment manager cash and accruals				8,188
<b>Net Investments Assets</b>	<b>1,114,264</b>	<b>456,047</b>	<b>113,951</b>	<b>1,692,450</b>

### Transfers between Levels 1 and 2

Pooled funds currently valued at £1,034,416k (£486,344k 2015/16) have been moved from Level 1 to Level 2 as the units are not exchange traded.

### Reconciliation of Fair Value Measurements within Level 3

2016/17

	UK property pooled funds £'000	Overseas property pooled funds £'000	Private Equity £'000	Total £'000
Market Value 1st April 2016	106,703	2,029	5,219	113,951
Transfers into Level 3	1,429	1,549	-	2,978
Transfers out of Level 3	-1,419	-	-	-1,419
Purchases during the year and derivative payments	4,561	83	-	4,644
Sales during the year and derivative receipts	-672	-438	-	-1,110
Unrealised gains/(losses)	1,790	-351	109	1,548
Realised gains/(losses)	-314	-	-	-314
<b>Market Value 31st March 2017</b>	<b>112,078</b>	<b>2,872</b>	<b>5,328</b>	<b>120,278</b>

**N29. Financial instrument disclosure**

<b>2016/17</b>	<b>Designated as fair value through P &amp; L £'000s</b>	<b>Loans &amp; Receivables £'000s</b>	<b>Financial liabilities at amortised cost £'000s</b>
<b>Financial assets</b>			
Bonds	280,713	-	-
Equities	377,449	-	-
Pooled investments*	1,253,165	-	-
Property Unit Trusts	133,718	-	-
Private equity	5,328	-	-
Derivative contracts	589	-	-
Cash	-	28,669	-
Other investment balances	-	5,522	-
Debtors	-	8,176	-
	<b>2,050,962</b>	<b>42,367</b>	<b>-</b>
<b>Financial liabilities</b>			
Derivative contracts	-153	-	-
other investment balances	-	-2,720	-
Creditors	-	-	-1,840
Borrowings	-	-	-
	<b>-153</b>	<b>-2,720</b>	<b>-1,840</b>
	<b>2,050,809</b>	<b>39,647</b>	<b>-1,840</b>

<b>2015/16</b>	<b>Designated as fair value through P &amp; L £'000s</b>	<b>Loans &amp; Receivables £'000s</b>	<b>Financial liabilities at amortised cost £'000s</b>
<b>Financial assets</b>			
Bonds	280,881	-	-
Equities	312,866	-	-
Pooled investments*	952,078	-	-
Property Unit Trusts	127,532	-	-
Private equity	5,219	-	-
Derivative contracts	138	-	-
Cash	-	13,519	-
Other investment balances	-	7,254	-
Debtors	-	7,437	-
	<b>1,678,714</b>	<b>28,210</b>	<b>-</b>
<b>Financial liabilities</b>			
Derivative contracts	-927	-	-
other investment balances	-	-1,789	-
Creditors	-	-	-1,705
Borrowings	-	-	-
	<b>-927</b>	<b>-1,789</b>	<b>-1,705</b>
	<b>1,677,787</b>	<b>26,421</b>	<b>-1,705</b>

\*Pooled investments also include an UK Open Ended Investment Company and UK and overseas Limited Liability Partnerships investing in property valued at £4,085k (£5,439k 2015/16).

**N30. Bulk transfers in and out of the Pension Fund****Transfers to other pension funds**

The Pension Fund received notification that a service would be transferring its pension assets and liabilities to the Department for Work and Pensions (DWP). This involved a payment of £0.3m to the DWP.

**Transfers from other pension funds**

The Pension Fund received notification that a service would be transferring its pension assets and liabilities from the Teachers Pension Agency (TPA) to the Fund. The Fund received £0.1m from the TPA.

**N31. Accounting Standards that have been issued but have not yet been adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires consideration of the impact of Standards that have been issued but not yet adopted by the Code for the relevant financial year. This is to enable users to evaluate the risk of these new Standards on the Pension Fund's current financial position.

The additional disclosures that will be required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 Code are amendment to the reporting of pension fund scheme transaction costs and an amendment to the reporting of investment concentration.

It is anticipated that this additional disclosure will not have a material impact on the accounts when it is applied prospectively from 1st April 2017.

**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 settled by the member or has to be settled by the Pension Fund on behalf of the member in exchange for a reduction in benefit entitlement. The Pension Fund has paid no tax on behalf of a member during 2016/17 (£50k 2015/16). 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**

There were no events after the reporting date.

**N34. Changes to comparative figures****N34 (a) Investment income and Investment management expenses**

Investment management expenses have been re-stated following new advice from the Chartered Institute of Public Finance & Accountancy (CIPFA). Fees from three pooled funds of £50k have been removed as they were the legal responsibility of the pooled fund rather than a direct charge to the Pension Fund. In addition property unit trust expenses of £101k were discovered to have been netted off dividend income therefore these expenses have been added to the investment management expenses and dividend income has been increased by a corresponding amount. This also impacted on Note N4, the Investment movements summary, Note N15, Investment income and Note N22 Management expenses.

<b>Fund Account</b>	<b>2015/16</b>	<b>2015/16 re-stated</b>	<b>Difference</b>
	£'000	£'000	£'000
Management expenses	7,663	7,613	-50
Investment income	-24,595	-24,696	-101
Profit and losses on disposal of investments and changes in market value of investments	47,868	48,019	151
			<hr/>
			-

<b>Investment Movement Summary (Note 4 statement)</b>	<b>2015/16</b>	<b>2015/16 re-stated</b>	<b>Difference</b>
	£'000	£'000	£'000
Cash movements, currency adjustments and other end of year settlements	5,004	4,853	-151
Total profit (-) and losses on disposal of investments and changes in market value of investments.	47,868	48,019	151
			<u>-</u>
<b>Investment Income (Note 15)</b>	<b>2015/16</b>	<b>2015/16 re-stated</b>	<b>Difference</b>
	£'000	£'000	£'000
Fixed interest	-6,853		
Index-linked	-1,825		
	<u>-8,678</u>	-	8,678
Bonds	-	-8,678	-8,678
Pooled investment vehicles	-5,192	-5,293	-101
			<u>-101</u>

Fixed interest securities and Index-linked securities are now amalgamated under Bonds as per the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, please see note below.

<b>Management expenses (Note 22)</b>	<b>2015/16</b>	<b>2015/16 re-stated</b>	<b>Difference</b>
	£'000	£'000	£'000
Investment management expenses	6,186	6,136	-50

The re-stated figures on the more detailed breakdown of the Investment management expenses are given below.

<b>Investment management expenses</b>	<b>2015/16</b>	<b>2015/16 re-stated</b>	<b>Difference</b>
	£'000	£'000	£'000
Fund value based management fees			
- invoiced	2,982	3,082	100
- deducted from investment	1,970	1,820	-150
	<u>4,952</u>	<u>4,902</u>	<u>-50</u>

#### **N34 (b) Amalgamation of asset classes**

Fixed interest securities and Index-linked securities are now amalgamated under Bonds as per the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. The totals for 2015/16 have therefore been amalgamated where they appear in the financial statements.

<b>Net Asset Statement</b>	<b>2015/16</b>	<b>2015/16 re-stated</b>	<b>Difference</b>
	£'000	£'000	£'000
Fixed interest securities	176,726	-	-176,726
index-linked securities	104,155	-	-104,155
Bonds	-	280,881	280,881
			<u>-</u>

<b>Financial Asset Analysis (Note 14)</b>	<b>2015/16 £'000</b>	<b>2015/16 re-stated £'000</b>	<b>Difference £'000</b>
Fixed interest securities			
UK - Public Sector - Quoted	63,664	-	
Index-linked securities			
UK - Public Sector - Quoted	92,190	-	
	<u>155,854</u>		<u>-155,854</u>
Fixed interest securities			
Overseas - Public Sector - Quoted	11,490	-	
Index-linked securities			
Overseas - Public Sector - Quoted	11,965	-	
	<u>23,455</u>		<u>-23,455</u>
Bonds			
UK - Public Sector - Quoted	-	155,854	155,854
Overseas - Public Sector - Quoted	-	23,455	23,455
	<u>179,309</u>	<u>179,309</u>	<u>-</u>
Bonds			
UK - Corporate - Quoted	94,743	94,743	-
Overseas - Corporate - Quoted	6,829	6,829	-
	<u>101,572</u>	<u>101,572</u>	<u>-</u>
	<u>280,881</u>	<u>280,881</u>	<u>-</u>

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, there is no longer a requirement to split the same type of asset between those managed from within the UK and those managed from outside the UK. UK Property Unit Trusts have therefore been amalgamated and the totals for 2015/16 have been amalgamated to enable comparison.

<b>Financial Asset Analysis</b>	<b>2015/16 £'000</b>	<b>2015/16 £'000</b>	<b>Difference £'000</b>
Property Unit Trusts			
UK - managed from within the UK	2,349	-	-2,349
- Unquoted			
UK - managed from outside the UK	20,471	-	-20,471
- Unquoted			
UK - Unquoted		22,362	22,362
			<u>-458</u>
Asset re-classified (please see note below)			<u>458</u>
			<u>-</u>

#### N34 (c) Change in asset classification

An investment valued at £458k in 2015/16 was classified as a UK Property Unit Trust. Following further clarification, this holding has now been deemed to be an Overseas Property Limited Liability Partnership and the 2015/16 comparable figures have been amended to reflect that movement in the Net Asset Statement, Note 4, Investment Movement Summary, Note 12, Unquoted holdings and Note 14 Financial asset analysis.

<b>Net Asset Statement</b>	<b>2015/16 Market Value £'000</b>	<b>2015/16 re-stated Market Value £'000</b>	<b>Difference £'000</b>
Pooled investment vehicles	951,620	952,078	458
Property unit trusts	127,990	127,532	<u>-458</u>
			<u>-</u>



<b>Investment Movement Summary (Note 4)</b>	<b>2015/16</b>	<b>2015/16 re-stated</b>	<b>Difference</b>
	Change in market value during the year £'000	Change in market value during the year £'000	£'000
Pooled Investments	-33,760	-33,302	-458
Property Unit Trusts	10,085	9,627	458
	<u>-23,675</u>	<u>-23,675</u>	<u>-</u>
	Market Value £'000	Market Value £'000	£'000
Pooled Investments	951,620	952,078	-458
Property Unit Trusts	127,990	127,532	458
	<u>1,079,610</u>	<u>1,079,610</u>	<u>-</u>
<b>Unquoted Holdings (Note 12)</b>	<b>2015/16</b>	<b>2015/16 re-stated</b>	<b>Difference</b>
	£'000	£'000	£'000
Overseas Property Limited Liability Partnership	-	458	-458
UK Property Unit Trust	22,820	22,362	458
	<u>22,820</u>	<u>22,820</u>	<u>-</u>
<b>Financial Asset Analysis (Note 14)</b>	<b>2015/16</b>	<b>2015/16 re-stated</b>	<b>Difference</b>
	£'000	£'000	£'000
Property Unit Trusts			
UK - managed from within the UK			
- Unquoted	2,349	-	-2,349
UK - managed from outside the UK			
- Unquoted	20,471	-	-20,471
UK - Unquoted		22,362	22,362
Limited Liability Partnerships			
Overseas - Property - Unquoted	-	458	458
	<u>22,820</u>	<u>22,820</u>	<u>-</u>

Fire Pensions Accounts

Fund Account for the year ended 31st March 2017

2015/16 £000		1992 FPS £000	2006 NFPS £000	Modified Scheme £000	2015 Care Scheme £000	Total £000
	<b>Contributions Receivable</b>					
	Fire Authority					
-1,506	contributions in relation to pensionable pay	-761	-20	-49	-595	-1,425
-	early retirements	-	-	-	-	-
-	other: Ill health retirement	-	-	-	-	-
-1,208	Firefighters' contributions	-511	-24	-151	-513	-1,199
-8	normal	-6	-	-	-	-6
	other: Added Years					
	<b>Transfers in</b>					
-1,034	transfers in from other schemes	-	-	-1	-	-1
-	Additional Grant for Holiday Payments	-90	-	-	-	-90
	<b>Benefits Payable</b>					
4,669	pensions	4,887	15	102	-	5,004
2,338	commutations & lump sum retirement benefits	1,575	8	184	-	1,767
-	lump sum death benefits	-	26	-	-	26
	<b>Payments to and on account of leavers</b>					
-	refunds of contributions	-	-	-	-	-
13	transfers out to other schemes	-	-	-	-	-
3,264	<b>Net amount payable for the year</b>	5,094	5	85	-1,108	4,076
-3,264	Top-up grant receivable / payable to central government	-5,094	-5	-85	1,108	-4,076
-		-	-	-	-	-

Net Assets Statement for the year ended 31st March 2017

Total £000		FPS £000	NFPS £000	Modified Scheme £000	2015 Care Scheme £000	Total £000
	<b>Net current assets and liabilities</b>					
	<b>Current Assets</b>					
-	contributions due from employer	-	-	-	-	-
-403	pension top-up grant receivable from central government	-5,094	-5	-85	1,108	-4,076
-	recoverable overpayments of pensions	-	-	-	-	-
	<b>Current Liabilities</b>					
-	unpaid pension benefits	-	-	-	-	-
-1153	amount payable to central government	-	-	-	-1,108	-1,108
-	other current liabilities	-	-	-	-	-
1,556	amount owing to general fund	5,094	5	85	-	5,184
-		-	-	-	-	-

**NOTES**

- The Firefighters pension fund is administered by the County Council. It was established for authorities in England under the Firefighters' Pension Scheme (amendment) (England) Order 2006, and is split into two schemes 'Firefighter Pension Scheme' (FPS) which is for wholtime firefighters who were employed before 5th April 2006 and have not transferred to the new scheme and the 'New Firefighters Pension Scheme' (NFPS) for all wholtime firefighters who have joined since 6th April 2006, those that have transferred from the old scheme and all Retained Firefighters. It is an unfunded scheme which is "contracted out" of the state scheme and is termed a defined benefit (or final salary) scheme. The funding arrangements for this scheme changed on the 1st April 2006. The fund is financed by contributions paid in by existing firefighters and the Fire Service with any balance receivable from or payable to the Department for Communities and Local Government (DCLG), therefore there are no investment assets belonging to the fund.
- 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.
- 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.
- The fund has been prepared to meet the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. 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.
- 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.

### **Active Investment Management**

A style of investment management where the fund manager aims to outperform a benchmark by superior asset allocation, market timing or stock selection (or by a combination of all 3).

### **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.

### **Benefits in Kind**

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

### **Capital Expenditure**

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

## **Class of Tangible Fixed Assets**

The classes of Tangible Fixed Assets required to be included in the accounting statements are:

### **Operational Assets**

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

### **Non-operational Assets**

- Assets under construction
- Surplus assets held for disposal.

## **Code of Practise (CODE)**

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

## **Community Assets**

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

## **Consistency**

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

## **Contingent Asset**

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

## **Contingent Liability**

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

## **Corporate and Democratic Core**

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

## **Dedicated Schools Grant (DSG)**

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

## **Deferred Charges**

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

## **Deferred Retirement Benefit**

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

## **Depreciation**

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

## **Derivative**

A security whose price is dependent upon, or derived from, one or more underlying Assets. The derivative itself is merely a contract between two or more parties. 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 we must show in the accounts under the CIPFA code of practice.

## **Discretionary Benefits**

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

## **Estimation Techniques**

The methods adopted by an Entity to arrive at estimated monetary amounts corresponding to the measurement bases selected for Assets, Liabilities, Gains, Losses and changes to Reserves. Estimation techniques implement the measurement aspects of Accounting Policies. An Accounting Policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique.

## **Events After the Balance Sheet Date**

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

## **Exceptional Items**

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

## **Exchange Traded Funds (ETFs/ET's)**

A fund that tracks a selection or 'basket' of related securities within a Stock Market Index but can be traded on an Exchange like a stock or share.

## **Extraordinary Items**

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

## **Fair Value**

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

## **Finance Lease**

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

## **Funding Level**

The relationship at a specified date between the actuarial value of Assets and the Actuarial Liability, normally expressed as a funding ratio or percentage.

## **Futures Contracts**

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

## **Going Concern**

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

## **Government Grants**

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 Agreement**

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

### **LAAP**

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

### **Liquid Resources**

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

### **Long-term Contracts**

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

### **Managed Fund**

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

### **Market Value**

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

### **Membership**

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

### **Net Book Value**

The amount at which Fixed Assets are included in the Balance Sheet, i.e. 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.

### **Open Ended Investment Company (OEIC)**

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

### **Operating Leases**

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

### **Operational Assets**

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

### **Options**

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

### **Over The Counter (OTC)**

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

### **Past Service Cost**

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

### **Pensionable Earnings**

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

### **Pension Interest Cost and Expected Return on Pensions Assets**

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

### **Pooled Investment Vehicle**

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

### **Prior Period Adjustments**

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

### **Projected Unit Method**

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

### **Public Works Loans Board (PWLB)**

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

### **Quoted Investments**

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

### **Realised Gains/ (Losses)**

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



## Related Parties

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

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

Examples of related parties of the Council include:

- Central Government
- Local Authorities and other bodies precepting or levying demands on the Council Tax
- It's subsidiary and associated companies
- It's joint ventures and joint venture partners
- It's Members
- It's Chief Officers, and
- It's Pension Fund.

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

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

## Related Party Transaction

A Related Party Transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

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

## Remuneration

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

## Reserves

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

## Residual Value

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

## **Retirement Benefits**

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

## **Scheduled Bodies**

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

## **Segregated Fund**

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

## **Service Reporting Code of Practise (SeRCOP)**

Councils have different structures for services or departments, which may have different responsibilities, making comparisons between them difficult. To help make comparisons, CIPFA uses a Code of Practice which provides standard categories for both services (departments) and expense types. The CIPFA Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP) from 2011/12. SeRCOP establishes proper practices with regard to consistent financial reporting for services. It is expected that CIPFA members will comply with all the mandatory requirements of SeRCOP as it defines best practice in terms of financial reporting. SeRCOP is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and Public Services reform.

## **Soft Loans**

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

## **Specialist Management**

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

## **Tangible Fixed Assets - Property Plant & Equipment**

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

## **Transfer Payment**

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

## **Transfer Value**

The amount of the transfer payment.

## **Trust Funds**

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

## **Unitised Insurance Policy**

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

**Unit Trust**

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

**Unquoted Investments**

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

**Useful Life**

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

**Unrealised Profit**

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

**Usable Capital Receipts**

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

**Venture Capital**

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

## Abbreviations

<b>BVACOP</b>	Best Value Accounting Code of Practice
<b>CFR</b>	Capital Financing Requirement
<b>CPFA</b>	Chartered Public Finance Accountant
<b>CPI</b>	Consumer Price Index
<b>DCLG</b>	Department of Communities and Local Government
<b>DEFRA (Defra)</b>	Department for Environment, Food and Rural Affairs
<b>DSG</b>	Dedicated Schools Grant
<b>FPS</b>	Firefighters Pension Scheme
<b>FSA</b>	Financial Services Authority
<b>GCC</b>	Gloucestershire County Council
<b>GFRS</b>	Gloucestershire Fire and Rescue Service
<b>GSWBP</b>	Gloucester South West Bypass
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>IAS</b>	International Accounting Standard
<b>ICES</b>	Integrated Community Equipment Service
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>ISB</b>	Individual School Budget
<b>IT</b>	Information Technology
<b>LAAP</b>	Local Authority Accounting Panel
<b>LAMS</b>	Local Authority Mortgage Scheme
<b>LASAAC</b>	Local Authority (Scotland) Accounts Advisory Committee
<b>LATS</b>	Landfill Allowances Trading Scheme
<b>LEP</b>	Local Enterprise Partnership
<b>LGPS</b>	Local Government Pension Scheme
<b>LOBO</b>	Lender Option Borrower Option (Loans)
<b>MRP</b>	(Statutory) Minimum Revenue Provision
<b>NFPS</b>	New Firefighters Pension Scheme
<b>NHS</b>	National Health Service
<b>NNDR</b>	National Non-Domestic Rates
<b>NPV</b>	Net Present Value
<b>PCT</b>	Primary Care Trust
<b>PFI</b>	Public Finance Initiative
<b>PPP</b>	Public-Private Partnership
<b>PPE</b>	Property Plant and Equipment
<b>PWLB</b>	Public Works Loans Board
<b>RCCO</b>	Revenue Contribution to Capital Outlay
<b>RPI</b>	Retail Price Index
<b>RSG</b>	Revenue Support Grant
<b>SeRCOP</b>	Service Reporting Code of Practice
<b>SORP</b>	Statement of Recommended Practice
<b>TOIL</b>	Time Off in Lieu
<b>TPA</b>	Teachers' Pensions Agency
<b>VRP</b>	Voluntary Revenue Provision
<b>WG</b>	Welsh Government

