



Nigel Gabb
Finance Manager
nigel.gabb@gloucestershire.gov.uk

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL
T +44 (0)117 305 7600

25 March 2021

Dear Nigel Gabb

Gloucestershire County Councils Financial Statements for the year ended 31 March 2021

As part of our audit of Gloucestershire County Council's financial statements for the year ended 31 March 2021, we need to update our understanding of your accounting estimates, including all the key accounting estimates that will be included in the financial statements this year. We do this to maintain our understanding of Gloucestershire County Council and to comply with International Auditing Standards (ISAs (UK)), including the revised standards that apply to our 2020/21 audit for the first time.

International Auditing Standards place obligations on auditors to document their understanding of the entity and its environment, including the entity's internal control, in identifying and assessing the risks of material misstatement in the financial statements. ISA (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures (revised in December 2018) is effective for audits of financial statements for periods beginning on or after 15 December 2019. The revised standard requires auditors to understand a number of matters related to your key accounting estimates (as set out in section 13 of the standard).

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the accompanying schedules. A separate schedule is included for each key accounting estimate that we have identified. If you are aware of any other material accounting estimates that will be included in your financial statements could you please add and complete an additional schedule for that estimate.

I would be grateful for your responses, if possible, by the 6 April 2021 to help inform our risk assessment and planning of our 2020/21 audit of the 's financial statements.

Please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely
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Property, plant, and equipment valuation estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No Risks identified. Covid Material uncertainty now removed, for Property Valuations and Investments
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Long standing models used. In House RICS professionally qualified surveyor commissioned to undertake majority of valuations. External Valuations commissioned where appropriate ie County Farms Estimate and Energy for Waste Valuations. No changes introduced for 20-21
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Formal letter of engagement developed and issued each year outlining the principals and requirements of the valuations required. 2 Year rolling programme for the assessment of the Council's PPE. No changes for 20-21
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Active Management information for Assets held from the Council's in house database of all property arrangements. No Changes to Process in 20-21
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Qualified RICS Surveyors Commissioned for Property Valuations.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Constant review and meetings with lead officers as required.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes process considered appropriate
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The material estimates are undertaken by professional experts and therefore any uncertainties on estimation are clearly identified through reporting submissions and assessed/discussed accordingly.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Review of the findings is undertaken to consider the impact upon the financial statements and relevant disclosures agreed as part of the year end process.

Depreciation estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Due to the level of uncertainty surrounding asset maintenance, which would adversely impact the useful lives over which the assets are depreciated. A risk that depreciation costs could increase has been identified and detailed in our Accounting Policy.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Long standing models used in SAP and vehicle asset spreadsheet. No changes introduced for 2020/21.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Straight line depreciation over the useful life of the asset, excluding land. Asset life determined by internal valuers for building assets and service area experts as per our accounting policy for other assets. No changes introduced for 2020/21.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Asset data held on SAP and spreadsheets. New assets added on completion/acquisition and life assessed by our internal valuers or service experts as per the accounting policy. No changes introduced for 2020/21.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Qualified RICS Surveyors Commissioned for Property lives.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Constant review and meetings with lead officers as required.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes process considered appropriate.
8. Were any changes made to the key control activities this year? If so please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The material estimates are undertaken by professional experts and therefore any uncertainties on estimation are clearly identified through reporting submissions and assessed/discussed accordingly.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Review of the findings is undertaken to consider the impact upon the financial statements and relevant disclosures agreed as part of the year end process.

Pension Liability valuation estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No material uncertainty identified under the valuation process.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Formal letters of engagement with a qualified Actuary to ensure full compliance with IAS19 accounting requirements. No significant changes undertaken in 20-21
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Formal discussion/agreement of assumptions and approach to be undertaken by the Actuary prior to commencement of the process. Reviewed following any changes in national guidance of legal challenges as appropriate. No Changes for 20-21
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Actual Staffing/Contribution/membership data provided to the Actuary as required to ensure that the most up to date and relevant information is provided to form the basis of the estimates. No changes for 20-21
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Qualified Actuarial Professionals commissioned (Hymans Robertson Ltd), to undertake valuations required under IAS19 for both the LGPS and Fire Pensions Schemes for the Council.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Regular contact/review and challenge on assumptions made.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Controls considered appropriate and adequate for the purposes of completing the estimated valuations.
8. Were any changes made to the key control activities this year? If so please provide details.	No changes for 20-21
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Regular contact/review and challenge on assumptions made, quantify any uncertainties for disclosure purposes as required.

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Discussions and review with the Actuary as appropriate.
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Significant accruals estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No material risks identified
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Review management information. Review past history in assessing risks associated with the issue and make an estimate accordingly. Utilise professional/legal advice where appropriate. No changes made to the 20-21 process
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Assess the probabilities and longer term view in making any financial estimates for payments to be received when assessing Bad Debt provisions and write off of outstanding Debt including deferred payments. Latest information used for on going review No changes in process for 20-21
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	All local and national information available in informing the assessment. No changes in Process for 20-21
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Liaison with all in house budget holders and service professionals made in assessing the accounting estimates required within the statements.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Regular review and discussions with service areas in monitoring current debt provisions and proactive approach taken in managing these balances.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Current arrangements considered adequate.
8. Were any changes made to the key control activities this year? If so please provide details.	No changes made to 20-21 Process

9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Prudent approach taken to ensure that the most likely impact on the accounts are reported.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	The sensitivity of managing all debt but especially that which relates to Adult Social Care service users is an integral part of assessing the likely receipt of monies due to the Council.

Fair value of loans estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No, we liaised with our treasury advisors as part of the year end process and no additional risks were identified.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	The Council uses the fair value templates provided by our treasury advisors. Fair values are estimated as the price the Council would receive to sell the loans to another market participant on 31st March, based on observed market prices for identical securities, for pooled funds based on the bid price and for PFI and leases by discounting at AA corporate bond yields. For LOBO's discount rates have been derived from option values calculated using proprietary software. There have been no changes in methodology from that used in 2019/20.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	As per Q2 above.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	As per Q 2 above, no changes were made to the source data.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	We currently use Arlingclose Limited for Treasury Advisory Services. This contract was awarded following a competitive tendering process, and the contract is for a 5 year period ending 30 th November 2022..
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The Council is in daily contact with our treasury advisors and are free to query and challenge estimation techniques in use. Our treasury advisors provide year end workshops in the run up to the financial statements being produced, and officers attend these meetings to ensure that they are happy with the processes in place

	for determining the estimates.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, the Council is confident that the treasury advisors spreadsheets are robust and that the formulas are updated annually to reflect the current market conditions.
8. Were any changes made to the key control activities this year? If so please provide details.	No changes were made to the process.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The Council relies on the intelligence gained by our advisors based on their continuing assessment of market conditions.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	As all estimates are priced against similar instruments the Council is confident that the outcome is reasonable and robust.

Provisions estimate (Insurance Fund and Accumulated Absences)

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>The insurance provisions are in respect of the funds allocated to existing claims. We have a claims management system (Figtree) which records details of the claim and the estimate allocated to each individual claim. High value claims are dealt with by insurers who advise us the estimate to hold on each claim. If claims are subsequently litigated and solicitors instructed to act on our behalf then they will also advise on the estimate. Whilst we have high a high level of deductible on liability claims, Insurers provide a claims handling service.</p> <p>Our low level claims (Below £20k on motor £2500 on liability and £100,000 on property) are dealt with in house and estimates held on the basis of documentation provided. On property losses over £5000, a Loss Adjuster approved by Insurers is appointed to verify costs and will advise of the appropriate estimate to hold on each case.</p> <p>When the last major insurance contracts were awarded in 2018, reinsurance was obtained around claims handling ability/experience and claim estimating strategy during the tender process.</p>

<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>See above response for question 1</p> <p>No Changes to process for 20-21</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>See above response for question 1</p> <p>No Changes to process for 20-21</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>See above response for question 1</p> <p>No Changes to process for 20-21</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>See above response for question 1</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Constant review and monitoring of insurance services provided to the Council.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Controls considered Appropriate</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No changes to Process for 20-21</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Regular discussions with Insurance and professional advisors as necessary.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>Regular discussions with Insurance and professional advisors as necessary.</p>

PFI/EFW Contracts estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>Accounting for the Contract assets and liabilities correctly- The Council use agreed accounting models which have been prepared by external professional advisors in order to ensure that the accounting arrangements are fully compliant with all relevant accounting standards. All models are reviewed to ensure consistency and all changes tracked to prevent</p>

	<p>misstatement.</p> <p>All PFI assets and EFW Assets are subjected to a valuation of Property Plant and Equipment in accordance with the Council's agreed programme. These valuations are undertaken by the appropriate qualified surveyors to ensure accuracy within the statement of accounts each year.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>As detailed above commissioning of appropriate professional services and approved accounting models.</p> <p>No changes for 20-21</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Discuss/Review/Challenge professional assumptions and agree the most appropriate basis for any estimates as appropriate.</p> <p>No changes for 20-21.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>Current/active management information.</p> <p>No changes for 20-21</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>Qualified specialist surveyors commissioned for the respective asset valuations</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Ensure all accounting models used are, maintained and all changes monitored to ensure integrity of the financial information is managed and controlled.</p> <p>Procurement /commissioning of the experts also reviewed to ensure clear terms of reference if established when requests are made to professionals in providing estimates.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Current controls considered adequate. Subject to on going review.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No changes for 20-21</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Discussion and review with professionals as necessary.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>Discussion and review with professionals as necessary.</p>

