



BATH & NORTH EAST SOMERSET COUNCIL

STATEMENT OF ACCOUNTS 2011/12

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Independent Auditor's Report to the Members of Bath & North East Somerset Council

Opinion on the Authority's accounting statements

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

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

Respective Responsibilities of the Divisional Director of Finance and auditor

As explained more fully in the Statement of the Divisional Director of Finance's Responsibilities, the Divisional Director of Finance 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, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Boards 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 Divisional Director of Finance; and the overall presentation of the financial statements. In addition, I read all of the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- * give a true and fair view of the financial position of Bath and North East Somerset Council as at 31 March 2012 and of its income and expenditure for the year then ended; and
- * have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects.

Independent Auditor's Report to the Members of Bath & North East Somerset Council - continued

Opinion on the pension fund accounting statements

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

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

Respective Responsibilities of the Divisional Director of Finance and auditor

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

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the pensions fund's financial statements:

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

Opinion on other matters

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

Independent Auditor's Report to the Members of Bath & North East Somerset Council - continued

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

Respective Responsibilities of the Authority and the auditor

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

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

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

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

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

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

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

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

Conclusion

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

Certificate

I certify that I have completed the audit of the accounts of Bath and North East Somerset Council and Avon Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Wayne Rickard
District Auditor

Audit Commission
3-4 Blenheim Court
Matford Business Park
Lustleigh Close
Exeter, EX2 8PW

Date:

FOREWORD TO THE ACCOUNTS

Introduction

The Statutory Statement of Accounts have been produced in accordance with the CIPFA Code of Practice on Local Authority

The Accounts and Audit Regulations 2003 require that the Statement of Accounts shall be approved by a resolution of a

The main purpose of a local authority's published Statement of Accounts is to provide electors, Council Tax payers, members of the Council, employees and other interested parties, with clear information about the Council's financial position. It should aim to

- What did the Council's services cost in the year?
- Where did the money come from?
- What are the Council's assets and liabilities at the year-end?

The main financial statements are:

Movement in Reserves Statement

The Movement on Reserves Statement shows the movement in the year on different reserves held by the authority.

Comprehensive Income and Expenditure Account

providing services and managing the Council during the year.

Balance Sheet

The Balance Sheet shows the assets and liabilities of the Council as a whole at the 31 March 2012.

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from external transactions for both capital and revenue purposes.

Collection Fund

These statements show income from local taxes and from the national non-domestic rates pool, and how these are allocated to the Council and the Police and Fire Authorities on whose behalf they are collected.

Pension Fund Accounts

A summary of the Pension Fund accounts is included, as the Council is the administering authority for the Avon Pension Fund.

Statement of Accounting Policies

The statement describes the accounting concepts and policies adopted in the preparation of the accounts. It contains a number of technical notes, none of which are unusual or which differ from the concepts adopted by the majority of other Local Authorities. The Council complied with all recommended accounting practices contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2010, which is recognised by statute as representing proper accounting practices. The Code of Practice incorporates Best Value Accounting principles with which the Council has also complied.

FOREWORD TO THE ACCOUNTS - continued

General Review

Summary of the Council's financial performance

Despite a number of pressures and the requirement to deliver over £11m of savings, the Council underspent its revenue budget by £1.1m in 2011/12. After allowing for the proposed carry forwards and creation of specific reserve provisions the overall outturn position reduces to an underspend of £253k.

The Council has a robust action plan system for addressing service overspends which are monitored on a monthly basis and has helped produce a favourable outturn position. The Council has experienced shortfalls on its parking income, largely due to the recession which created the most significant adverse pressure on the revenue budget in 2011/12.

The main areas contributing to the underspend relates to investment interest where cash balances remained higher than anticipated and above target income generated from increased visitors to the Roman Baths and improved Commercial Estate rental income.

The Next Twelve Months

The Council's Budget for 2012/2013 will represent the second year of financial planning prepared in the context of the Government's Comprehensive Spending Review (CSR) announced in October 2010. This CSR included a deficit reduction programme with 28% cuts to local authority spending spread over the four year period from 2011/2012 to 2014/2015 with a significant element front loaded to the first two years.

The financial implications for the Council were set out in the Local Government Finance Settlement in December 2010 which showed a 16% cash reduction in funding from Government in 2011/12 and, at least an 8% reduction in 2012/13. The Settlement did not go beyond two years as a result of the significant changes to the grant and business rates system from 2013/2014 although the direction of travel is clear from the CSR.

The sound financial management of the Council over the years means it is in a better position than many other Council's to face the continuing financial challenges arising as a result of the national economic situation.

The proposed Budget for 2012/2013 recognises the very difficult financial challenge now facing the whole of the public sector and the continuing need to prioritise resources. Against this backdrop the proposed Budget has taken into account a number of key principles, particularly

- Fiscal restraint including a frozen council tax level, reduced planned borrowing and no increases to car parking and park and ride fees.
- Protecting priority front line services especially where these support the most vulnerable
- Maximising efficiency savings and using invest to save as a means to achieve this.
- Passporting additional Government funding for Schools, Early Intervention (including additional funding for child care for qualifying 2 year olds) and Community Health and Social Care.

There will be increasingly limited resources available to deliver the full range of services that have been provided in the past. New legislation and demographic changes similarly demand clear prioritisation and new approaches. This has and will mean difficult choices both for the next financial year 2012/2013, and beyond.

The developing new visions and values of the Council will help to prioritise resources going forwards

There are no longer the available resources to deliver the full range of services that have been provided in the past. New legislation and demographic changes similarly demand clear prioritisation and new approaches. This increasingly means difficult choices.

There are service specific growth pressures that need to be addressed including impacts of national policy changes. The most significant of these include:

- Rising elderly population placing significant demands on Adult Social Care and Health services.
- Increased demand from adults with learning difficulties.
- Increased demand for Children's care services.
- Inflationary costs particularly for care placements and external service contracts.
- Increases in national charges or taxes, for example the rate of the landfill tax.
- Local impacts of the economic downturn and increasing competition.
- Priority improvements including support for capital projects.

Taking account of the reductions in government grant funding and the pressures outlined above, requires the identification £12m of budget savings in 2012/2013.

The majority of these savings are being delivered from efficiencies through service review and the Council's change programme. However, the scale of the projected savings in 2012/2013 coming on top of those delivered in 2011/2012 is such that the Council will need to prioritise services.

In the medium term the need to strike an appropriate balance between the diminishing resources available to the Council and the demands placed on all its services will require an even greater prioritisation of services.

FOREWORD TO THE ACCOUNTS - continued

Revenue outturn and balances

The Council's net revenue budget was set at £121.74 million with a freeze in its part of the 2011/12 Council Tax. Dedicated schools grant funding of £100.97m separately supports expenditure on schools.

Total net spending amounted to £122.1 million against a revised budget of £123.2m, with a year end surplus of £1.1 million on general fund spending.

The Council followed well established procedures for monitoring its finances and reporting the position to the Cabinet. Despite a number of major pressures during 2011/12, the budget has been managed in total with a small underspend. The main areas contributing to the underspend relates to capital financing and improved income generation from the Roman Baths Museum and Commercial Estate.

The Council continues with its programme of budget management where overspends and underspends are carried forward (rollovers) subject to policy approval. After transfers to earmarked reserves the General Fund stands at £15.8m.

The main adverse variances from budget incurred are:

Service Delivery overspend of £155k - mainly due to shortfalls in parking income partly offset by improved income generation at the Roman Baths Museum, contract and other efficiencies in waste services and a one-off income receipt in relation to a financial settlement related to highways maintenance.

The main favourable variances from budgets incurred are:

Resources & Support Services underspend of £850k - mainly due to additional investment income as result of higher cash balances, additional Commercial Estate income, and lower than forecast Carbon Trading Levy charges.

The outturn position compared to the budget is as follows:

Service	Budgeted	Actual	(Under)/ Over
	Spend	Spend	Spend
	£'000	£'000	£'000
Service Delivery	28,023	28,178	155
Children's Services	24,304	24,104	(200)
Adult Social Services & Housing	52,756	52,621	(135)
Resources & Support Services (Including Corporate & Agency Budgets)	16,409	15,559	(850)
Development & Major Projects	1,671	1,618	(53)
	123,161	122,079	(1,082)

In addition, the bottom line outturn position in relation to schools is an underspend of £1.5m, while the centrally held elements of the Dedicated Schools Grant (DSG) has an underspend of £1.6m. There is also a balance of £2.8m held in respect of academies for those schools that converted during 2011/12 and those that will convert during 2012/13. The revised actual spend for 2011/12 including these items is £116.239m.

Collection Fund

The estimated surplus on the Collection was £500,000, of which the Council's share was £422,000 (the balance is paid to the Police and Fire Authorities). The actual surplus after allowance for the Police and Fire Authorities share is £680,000. This will be taken into account when estimating the Collection Fund position in 2012/13 as part of setting the 2013/14 budget.

FOREWORD TO THE ACCOUNTS - continued

Income and Expenditure Account

The Income and Expenditure Account includes a number of items that are not required to be included in the General Fund and to be taken into account in setting the council tax. The Income and Expenditure Account included within this Statement of Accounts shows the net cost of services for the year of £145.2m. This reconciles to the General Fund spending reported above as follows:

Total net spending by departments	£m	£m
		116,239
Add:		
Charges related to capital assets:		
- depreciation	17,392	
- revenue expenditure funded from capital under statute	8,727	
- impairment, including non-enhancing capital expenditure	10,202	
		<u>36,321</u>
Offset by:		
Grant funded revenue expenditure funded from capital under statute	3,747	
Unapportioned pensions contributions	1,627	
Levy payments	219	
Interest received and paid	(4,734)	
Other movements on funds and balances	1,054	
Net transfers to reserves	5,396	
		<u>7,309</u>
Cost of services - continuing operations		145,251

The principal differences relate to capital assets. The general fund includes the cost of financing capital assets whereas the Income and Expenditure Account includes depreciation and impairment.

Capital Expenditure

Capital expenditure in 2011/12 totalled £45.8m. Overall capital spending was 78% of the revised capital budget. Details are:

Departments	Planned Spend	Actual Spend	Variation on planned spend
	£,000's	£,000's	£,000's
Service Delivery	15,460	12,960	(2,500)
Children's Services	16,790	13,340	(3,450)
Adult Social Services & Housing	2,307	1,920	(387)
Resources & Support Services	15,793	12,693	(3,100)
Development & Major Projects	6,626	4,926	(1,700)
Corporate	1,924	-	(1,924)
	<u>58,900</u>	<u>45,839</u>	<u>(13,061)</u>
Capital expenditure was financed as:			-
		£,000's	
Capital receipts		2,545	
Capital grants and contributions		14,774	
Revenue		1,693	
Borrowing		26,827	
		<u>45,839</u>	

Long term debt at 31 March 2012 is shown in the Balance Sheet at £122.0m (2010/11 £91.9m).

FOREWORD TO THE ACCOUNTS - continued

Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in accounting policy in relation to the treatment of Heritage Assets held by the Authority. The new standard (FRS 30) requires a new class of asset, Heritage Assets, to be disclosed separately on the Council's Balance Sheet from 2011/12.

Heritage Assets are defined as assets that are maintained for their contribution to knowledge and culture and are held in order to preserve them for future generations.

Heritage Assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia and museum and art gallery collections. The Council's museums, record office and libraries hold a number of collections of historical artefacts such as these. The collections include archaeological artefacts and numismatic collections, fine and decorative art collections, fashionable dress, accessories and associated paperwork collections, rare books, maps, manuscripts and local history collections.

The Authority's accounting policies for the recognition and measurements of heritage assets are set out in note 1 - Accounting Policies.

Heritage Assets were previously included within Community Assets in the Council's financial statements which are held at historic cost. As most of these artefacts have been held for many years there is no record of their original cost and therefore they were included within Community Assets at a proxy value of £100k.

In applying the new accounting policy the Authority has identified that the assets previously held as Community Assets within Property, Plant & Equipment should now be recognised as Heritage Assets and measured at £15.5million with a corresponding increase in the Revaluation Reserve. These assets relate to a proportion of the Museum's collections.

The Authority also recognise an additional £2.1million relating to heritage asset that were not previously recognised in the Balance Sheet. Again this increase is also recognised in the Revaluation Reserve.

The 1st April 2010 & 31st March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 statement of accounts to apply the new policy.

A second comparative Balance Sheet (as at 31st March 2010) and notes to the Balance Sheet have been included in these accounts due to the change in accounting policy.

Further details of the Council's Heritage Assets are given in the following notes:-

Note 13 - Heritage Assets

Note 51 - Heritage Assets; change in Accounting Policy

Note 52 - Heritage Assets; Further Information on the Collections

Pensions Fund

As required under the Regulations, a triennial valuation of the Avon Pension Fund was carried out as at 31 March 2010 which sets the employer contribution rates from 1 April 2011. The funding level was calculated at 82% (i.e. the Funds assets cover 82% of future liabilities) which compares to 83% in 2007. The deficit widened during the period due to the investment returns below expectations in the 3 years and the lower real yields (bond yields less inflation) causing an increase in liabilities. However, the government announcement in 2010 that pension benefits are to be linked to the Consumer Price Index rather than the Retail Price Index, helped limit the increase in the liabilities.

Pension Liabilities

The Council has a liability of £185.3m for future pensions costs. This is because under FRS17 the Council must account for pensions for former members of staff when the commitment is made not when the pension is paid.

The Actuary has estimated that the funding level as at 31 March 2012 has fallen to 70% from 83% at 31 March 2011. This fall in the funding level is due primarily to the increase in liabilities. The value of the future pension liabilities is calculated using a discount rate based on UK gilt yields. As gilt yields fall, the value of these liabilities rises. Gilt yields in the UK are currently near historic lows and the liability is therefore £31.0m more than in 2010/11.

West of England Revolving Investment Fund

In 2011/12 the Council, as accountable body to the West of England Partnership, received grants of £40m and £17m to establish the West of England's Revolving Investment Fund which will provide for future infrastructure works. The Council is acting as agent for these regional central government grants. Sums are to be distributed to specific projects as various criteria are satisfied, with the receiving authority then treating these as grant in their own accounts. The balance of funds not distributed is therefore treated as a creditor in B&NES accounts; these sums will either be transferred to the West of England Unitary Authorities in future or will be returned back to government if not used.

Group Accounts

There is now a requirement to include a consolidation of group accounts under the Local Authority Statement of Recommended Practice (SORP) 2010. The Council has group relationships with Bath Tourism Plus, Connexions West of England and the West of England Partnership. The turnover and assets held by these companies are not considered significant enough to produce Group Accounts.

FOREWORD TO THE ACCOUNTS - continued

Further Information

Further information on the Council's Accounts and those of the Avon Pension Fund is available on the Councils' website and that of the Avon Pension Fund:

www.bathnes.gov.uk/BathNES/councilinformation/finance

www.avonpensionfund.org.uk

Once again the accounts have been produced promptly and to a high standard. This would have not been possible without the hard work of finance staff across the Council. My thanks go to all finance staff and to Service Directors for their assistance in the preparation of these accounts and for their support throughout the year.

A handwritten signature in black ink, appearing to read 'T. Richens', is written on a light blue background.

Tim Richens

Divisional Director of Finance (Section 151 Officer)

MOVEMENT IN RESERVES STATEMENT 2011/12

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2011	13,269	30,426	2	5,388	49,087	334,942	384,029
Surplus or Deficit on Provision of Services (accounting basis)	(19,560)				(19,560)		(19,560)
Other Comprehensive Income & Expenditure						(13,183)	(13,183)
Total Comprehensive Income & Expenditure	(19,560)	-	-	-	(19,560)	(13,183)	(32,743)
Adjustment between accounting basis and funding basis under regulations	27,486	1,522	788	2,852	32,649	(32,649)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	7,926	1,522	788	2,852	13,090	(45,832)	(32,743)
Transfers to/from earmarked reserves	(5,396)	5,396			-	-	-
Increase/Decrease in Year	2,530	6,918	788	2,852	13,090	(45,832)	(32,743)
Balance at 31 March 2012	15,799	37,344	790	8,240	62,177	289,110	351,287
Restated							
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010	14,638	21,055	903	9,216	45,812	301,264	347,076
Surplus or Deficit on Provision of Services (accounting basis)	(28,024)				(28,024)		(28,024)
Other Comprehensive Income & Expenditure	-				-	64,977	64,977
Total Comprehensive Income & Expenditure	(28,024)	-	-	-	(28,024)	64,977	36,953
Adjustment between accounting basis and funding basis under regulations	36,077	(51)	(901)	(3,828)	31,299	(31,299)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	8,053	(51)	(901)	(3,828)	3,275	33,678	36,953
Transfers to/from earmarked reserves	(9,422)	9,422			-		-
Increase/Decrease in Year	(1,369)	9,371	(901)	(3,828)	3,275	33,678	36,953
Balance at 31 March 2011	13,269	30,426	2	5,388	49,087	334,942	384,029

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT 2011/12

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities 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.

Notes	2010/11 Gross Exp £'000	2010/11 Gross Inc £'000	2010/11 Net Exp £'000		2011/12 Gross Exp £'000	2011/12 Gross Inc £'000	2011/12 Net Exp £'000
				Expenditure on Services			
	4,372	(3,698)	674	Central Services to the Public	2,921	(2,331)	590
	25,475	(14,232)	11,243	Cultural & Related Services	17,570	(14,724)	2,846
	32,819	(7,966)	24,853	Environmental & Regulatory Services	27,688	(6,206)	21,482
	12,285	(4,057)	8,228	Planning Services	9,846	(3,456)	6,390
	216,485	(155,313)	61,172	Education & Children's Services	154,923	(121,664)	33,259
	32,717	(17,522)	15,195	Highways & Transportation Services	30,301	(16,649)	13,652
	67,810	(59,177)	8,633	Housing Services	70,610	(63,536)	7,074
	87,662	(38,420)	49,242	Adult Social Care Services	91,591	(38,788)	52,803
	49,383	(48,431)	952	Corporate and Democratic Core	52,875	(43,345)	9,530
	1,570	(31,603)	(30,033)	Non Distributed Pensions Costs	2,389	(4,622)	(2,233)
	3,551	(3,025)	526	Stone Mines Project	819	(961)	(142)
	534,129	(383,444)	150,685	Cost of Services - continuing Operations	461,533	(316,282)	145,251
9			21,534	Other Operating Expenditure			19,253
10			(2,698)	Financing and Investment Income & Expenditure			(5,636)
			-	Surplus or Deficit on Discontinued Operations			-
11			(141,497)	Taxation and Non-Specific Grant Income			(139,308)
			28,024	Surplus or Deficit on Provision of Services			19,560
			(51,072)	Surplus or Deficit on Revaluation of Non-current Assets			(19,603)
			-	Surplus or Deficit on Revaluation of Available for Sale Financial Assets			-
41			(13,905)	Actuarial Gains/Losses on Pension Assets/Liabilities			32,786
			-	Share of Other Comprehensive Expenditure & Income of Associates & Joint Ventures			-
			(64,977)	Other Comprehensive Income & Expenditure			13,183
			(36,953)	Total Comprehensive Income & Expenditure			32,743

BALANCE SHEET as at 31 MARCH 2012

The Balance sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 authority is not able to use to provide services. This category of reserves include 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 in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis regulations".

Notes	Restated	Restated		31 March
	31 March	31 March		2012
	2011	2010		2012
	£'000	£'000		£'000
12			Property, Plant & Equipment:	
	276,733	280,189	Land & Buildings	259,024
	3,027	3,083	Community Assets	2,890
	45,297	42,488	Infrastructure	46,832
	8,716	5,213	Vehicles, Plant & Equipment	8,914
	26,022	19,086	Assets under Construction	33,650
	19,205	19,011	Surplus assets	16,776
13	17,518	17,484	Heritage Assets	17,570
14	219,289	217,434	Investment Property	238,862
15	848	785	Intangible Assets	697
	5	6	Long Term Investments	5
	791	457	Long Term Debtors	731
	-	-	Deferred tax asset	
	<u>617,449</u>	<u>605,236</u>	Long Term Assets	625,951
16	35,291	49,473	Short Term Investments	57,490
18	543	600	Inventories	499
19	23,714	28,902	Short Term Debtors	22,224
20	39,757	31,446	Cash and Cash Equivalents	82,449
21	1,879	1,145	Assets Held for Sale	1,467
	<u>101,184</u>	<u>111,566</u>	Current Assets	164,129
	(14,790)	(13,943)	Bank Overdraft	(10,002)
	-	-	Short Term Borrowing	
22	<u>(56,491)</u>	<u>(62,757)</u>	Short Term Creditors	<u>(105,034)</u>
	(71,281)	(76,700)	Current Liabilities	(115,036)
	-	-	Long Term Creditors	-
23	(722)	(570)	Provisions	(666)
16	(91,867)	(81,815)	Long Term Borrowing	(122,044)
	<u>(170,734)</u>	<u>(210,677)</u>	Other Long Term Liabilities	<u>(201,046)</u>
	(263,323)	(293,062)	Long Term Liabilities	(323,756)
	<u>384,029</u>	<u>347,040</u>	Net Assets	<u>351,287</u>
	49,087	45,812	Usable reserves	62,177
24	334,942	301,228	Unusable Reserves	289,110
	<u>384,029</u>	<u>347,040</u>	Total Reserves	<u>351,287</u>

The unaudited accounts were authorised for issue on 28th June 2012 and the audited accounts were authorised for issue on

CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash flow equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

	2010/11 £'000	See Note 25 for further details	2011/12 £'000
	(28,024)	Net surplus or (deficit) on the provision of services	(19,560)
A	40,452	Adjustment to surplus or deficit on the provision of services for non cash movements	93,205
A	(12,481)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(17,208)
	(53)	Operating Activities	56,437
C	(6,264)	Investing Activities	(40,912)
D	13,780	Financing Activities	31,955
	7,463	Net Increase/(decrease) in cash equivalents	47,480
E	17,503	Cash & cash equivalents at the beginning of the reporting period	24,967
E	24,967	Cash & cash equivalents at the end of the reporting period	72,447

NOTES TO MAIN FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts & Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting policies. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- * Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- * Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received, and their consumption, they are carried as inventories on the balance sheet.
- * Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- * Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- * Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- * Income and expenditure are credited and debited to the relevant service account, unless they properly represent capital receipts or capital expenditure.
- * Employee benefits are accounted for as they are earned.

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Comprehensive Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent useable resources for the council - these reserves are explained in the relevant policies below. Capital reserves are not available for revenue purposes.

NOTES TO MAIN FINANCIAL STATEMENTS

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- * the authority will comply with the conditions attached to the payments, and
- * the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be transferred to the transferor.

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

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

Retirement Benefits

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

- * The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).
- * The Local Government Pensions Scheme, administered by Bath & North East Somerset Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme - no liability for future payments of benefits is recognised in the balance sheet and the Education service revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year. The authority is however responsible for the costs of additional benefits awarded upon early retirement outside of the terms of the teachers scheme. These benefits are fully accrued in the pensions liability.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- * The liabilities of the Avon Pension scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- * Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds).
- * The assets of the Avon Pension Fund attributable to the Council are included in the balance sheet at their fair value:
 - quoted securities - bid price
 - unquoted securities - professional estimate
 - unitised securities - average of the bid and offer rates
 - property - market value.
 - The change in the net pensions liability is analysed into seven components:
 - current service cost - the increase in liabilities as result of years of service earned this year - allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Account
 - expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Account
 - gains/losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Comprehensive Income and Expenditure Account as part of Non-Distributed Costs
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.
 - contributions paid to the Avon Pension Fund - cash paid as employer's contributions to the pension fund.

NOTES TO MAIN FINANCIAL STATEMENTS

Statutory provisions limit the council to raising the council tax to cover the amounts payable by the Council to the pension fund in the year. In the Movement in Reserves Statement on the General Fund Balance this means there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Discretionary Benefits

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

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12 (SeRCOP)*. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- * Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- * Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Account, as part of Net Cost of Services.

Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment (3 years) on a straight line basis to reflect the pattern of consumption of benefits.

Property, Plant & Equipment

Property, plant and equipment are assets held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- * dwellings, other land and buildings, vehicles, plant and equipment - fair value, unless there is no market-based evidence because of the specialist nature of the asset then depreciated replacement cost
- * infrastructure assets, community assets and assets under construction - depreciated historical cost.
- * all other assets - fair value determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value.

Non-current assets are valued in accordance with the Manual published by the Royal Institute of Chartered Surveyors. Valuations are undertaken by the Council's Property Services division on a 5 year rolling programme but reviewed annually for impairment.

Assets included in the balance sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Impairment: Assets are assessed at each 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 by:

- * 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 accumulated gains).

NOTES TO MAIN FINANCIAL STATEMENTS

* where there is no balance or insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line 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: depreciation is provided for on all assets with a determinable finite life (except for investment properties) by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- * other buildings - straight-line allocation over the life of the property as estimated by the valuer
- * vehicles, plant and equipment - straight-line allocation over the life of the asset as advised by a suitably qualified officer
- * community assets - straight line allocation over the life of the property as estimated by the valuer
- * infrastructure - straight-line allocation over 10 - 50 years.

Where an asset has major components whose cost is significant in relation to the total cost of the item (i.e. 20% or more of the asset as a whole), with different estimated useful lives, these are depreciated separately. Assets with a value of less than £500,000 are not subject to the componentisation policy.

Revaluation gains are also 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.

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, 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. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account then reversed out in the Movement in Reserves Statement so there is no impact on the level of council tax.

Charges to Revenue for Property, Plant & Equipment

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- * depreciation attributable to the assets used by the relevant service
- * impairment losses attributable to the clear consumption of economic benefit on property, plant and equipment used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- * amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

NOTES TO MAIN FINANCIAL STATEMENTS

Revenue expenditure funded from capital by statute

Previously called 'Deferred charges' this is expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital incurred during the year has been written off as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the costs from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged on General Fund Balances in the Movement in Reserves Statement so there is no impact on the level of council tax.

Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable partners at arms-length. Properties are not depreciated but values are reviewed annually according to market conditions at year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental received in relation to Investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Heritage Assets

The Council's museums, galleries, record office and libraries hold a number of collections of historical artefacts. The collections include archaeological artefacts, coin collections, fine and decorative art collections, fashionable dress, accessories and associated paperwork collections, rare books, maps, manuscripts and local history collections.

They are maintained for their contribution to knowledge and culture and are held in order to preserve them for future generations.

Museum Collections

Museum collections will be reported in the balance sheet at market value where the information is available. In other circumstances, valuations for insurance purposes will be used if appropriate. Valuations are not required to be carried out or verified by external valuers, and so in most cases will be undertaken by the museums curator. Where officers are unable to value items themselves, external expertise may be used.

Acquisitions will only relate to existing subject fields and areas of collection. The collections will not be extended into new areas. This is in line with the policy set by the Museums and Archives service. New acquisitions will be recognised at cost for assets purchased. Donated assets will be recognised at valuation if available or insurance values where relevant.

Chandeliers

The chandeliers located in the Guildhall will be reported in the balance sheet at a valuation representing their insurance value.

Statues and Monuments

The Authority has a number of statues, fountains, memorials and monuments throughout the area. As there is no readily available valuation held by the council and no definitive market value for these types of assets they will not be recognised on the Council's Balance Sheet.

Historical Buildings

The Council owns many historic buildings. Buildings such as the Roman Baths, Victoria Art Gallery and Guildhall are operational buildings and as such remain classified within Property, Plant and Equipment in the Council's balance sheet. Others are held within the Council's Investment Estate. The accounting treatment of these buildings will not change.

Some of these buildings contain some items of antique furniture.

NOTES TO MAIN FINANCIAL STATEMENTS

Heritage Assets - General

Recognition & Measurement; Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets.

Assets will be measured at fair value where the information is available. In other circumstances valuations for insurance purposes will be used if appropriate. Valuations are not required to be carried out or verified by external valuers, but details will be given where this is the case. No minimum period has been set at which valuations must be carried out but reviews will be made with sufficient frequency to ensure they remain current.

Acquisitions; will only relate to existing subject fields and areas of collection. The collections will not be extended into new areas. This is in line with the policy set by the Museums and Archives service. New acquisitions will be recognised at cost for assets purchased. Donated assets will be recognised at valuation if available or insurance values where relevant.

Disposals; There is a strong presumption against the disposal of any items in the Museums' or Records Office collections. This is in line with the Museums and Archives policy. Where in the exceptional circumstances a decision has been made to dispose of an item, it will in the first instance be offered to other accredited or registered museums likely to be interested in its acquisition. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and receipts.

When an asset is disposed of or decommissioned, 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. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Impairments; Where indications of an impairment exists that is estimated to be material and the recoverable amount is less than the carrying amount of the asset, an impairment loss will be recognised for the shortfall and the appropriate accounting entries made.

Where impairment losses are identified, they are accounted for by:

- * 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 accumulated gains).
- * where there is no balance or insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss.

Depreciation; Heritage assets have been estimated to have indeterminate lives and therefore will not be depreciated.

Cash & 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 investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 Authority's cash management.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

NOTES TO MAIN FINANCIAL STATEMENTS

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority 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 period in which they are incurred.

Lease payments are apportioned between:

- * a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- * a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is 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 assets estimated useful life.

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- * a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease debtor (together with any premiums received), and
- * finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

NOTES TO MAIN FINANCIAL STATEMENTS

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest 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 and interest charged to the Comprehensive Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the 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 Account is spread over the life of the loan by an adjustment to the effective interest rate.

Financial Assets

- * loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- * available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

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

The Council has no soft loans.

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, the asset is written down and a charge made to the Comprehensive Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Account.

Available-for-sale Assets

The Council has no available-for-sale assets.

Instruments Entered into Before 1 April 2006

The council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Policy 3.

Inventories and Work in Progress

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

Controlled Companies

The Council has two controlled companies - Bath Tourism Plus Ltd and Connexions West of England. The turnover and assets held by these companies are not considered significant and therefore no Group Accounts have been produced. If they were material they would be treated as an investment.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but wither 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 accounting statements but disclosed by way of a note giving a brief explanation of any possible obligations and an estimate of the likely financial effect if known.

NOTES TO MAIN FINANCIAL STATEMENTS

Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date that the Statement of Accounts is authorised for issue. Two types of events can be identified:

- 1) those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events
- 2) those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Exceptional Items

Items which require a degree of prominence in order to give a fair presentation of the accounts are shown separately either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the accounts, depending how significant the items are to an understanding of the authority's financial performance.

Joint Working Arrangements

Where the Council has a joint working arrangement with other organisations, the authority's share of income and expenditure is accounted for only in the Council's accounts. An example of this the West of England Partnership.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

Amendments to IFRS7 Financial Instruments: Disclosures (transfer of financial assets)

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October) 2010 by the code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. Relevant circumstances would arise where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership. The effective date of the standard was 1 July 2011 but we are not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered highly unlikely that the new standard will have a material impact on the financial statements of the Council.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority 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:

Future Funding Levels

The Comprehensive Spending Review in October 2010 identified a significant reduction in Central Government funding for local authorities over the CSR period. The Council's medium term financial planning process is based on the anticipated implications for the Authority although at this stage it is not possible to provide an indication if any of the Council's assets might be impaired as a result of potentially needing to close facilities and reduce future levels of service provision.

Accounting for School Assets

School assets are accounted for within the PPE heading of the balance sheet depending on their status.

On Balance Sheet

Community Schools - are managed and owned directly by the local authority who are responsible for admissions, employment of staff, repairs and maintenance and funding.

Voluntary Controlled Schools - are owned by the Diocese but are managed and funded by the local authority.

Off Balance Sheet

Voluntary Aided Schools - are owned by the Diocese, who are responsible for the employment of staff and admissions. Capital Funding is provided directly to the Diocese making them responsible for capital works.

Foundation Schools - are funded by the local authority however the Foundation Trust owns and manages the school and has responsibility for admissions and employment of staff. The local authority is responsible for repairs and of the schools and capital investment.

Academies - are owned and managed completely outside of the local authority. Funding is provided directly by central government.

West Of England Revolving Investment Fund

Bath and North East Somerset Council is the accountable body for the West of England. The reporting approach is that total expenditure is not shown in the Financial Statements; rather the following accounting treatment is adopted:-

- i) West of England expenditure is incurred as an Agent, acting as an intermediary on behalf of the 4 Unitary Authorities. Each authority's accounts will reflect its own contribution towards expenditure.
- ii) Where the Partnership office does act as principal, such as where it has received grant funding directly, this is on behalf of all authorities but the share for any individual authority is not considered material to show.

NOTES TO MAIN FINANCIAL STATEMENTS

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

Property, Plant and Equipment Values

The Council has a large number of properties including an investment estate which are valued in accordance with the RICS valuation standards on a five year rolling programme to comply with the Code of Practice on Local Authority Accounting. In addition individual valuations are undertaken to reflect material changes in circumstances affecting individual properties. As a consequence of the rolling programme the balance of properties valued differs from year to year.

The authority is required to review whether there is any indication of material impairment to property values at the balance sheet date. Impairment may be indicated by a reduction in the value of the asset because of market changes.

To satisfy this requirement the Council has undertaken a desktop re-valuation of its property assets using national indices (IPD & BCIS). It has also considered other local factors, in order to determine what adjustment, if any, is required to the values derived from the normal five yearly revaluation process. The analysis has been undertaken by Bath & North East Somerset valuation officers.

The valuation dates are spread over a five year period as the council operates a five yearly valuation process. When account is taken both of the likely increase in value for those properties in the early cycle as well as recent likely falls, we are of the opinion that any overall impairment to property values is not material.

Consequently no adjustments have been made to the asset values in respect of impairments other than those that have been valued as part of the normal five year programme & those valued to reflect material changes in individual circumstances.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

There were no material items of Income and Expenditure.

6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance on 27/09/2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this situation.

Academy Schools

These accounts reflect the appropriate transfer of assets and liabilities in respect of those schools which became Academies during the 2011/12 financial year. A number of schools have also submitted applications to DfE to convert to Academy Status:-

- Broadlands Secondary School
- Culverhay Secondary School
- Ralph Allen Secondary School
- Chew Stoke Primary School

Subject to approval, we would expect these schools to transfer during the current financial year 2012/13.

NOTES TO MAIN FINANCIAL STATEMENTS

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2011/12

General Fund	Usable Reserves		Movement in Unusable Reserves
	Capital Receipts Reserve	Capital Grants Unapplied	
Balance	Reserve	Unapplied	Reserves
£'000's	£'000's	£'000's	£'000's

Adjustments primarily involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:

Charges for depreciation and Impairment of Non-Current Assets			
Revaluation gains on Property Plant & Equipment	27,441		(27,441)
Movements in the Market Value of Investment Properties	(850)		850
Amortisation of Intangible Assets	152		(152)
Capital Grants & contributions applied	(3,747)		3,747
Revenue expenditure funded from Capital under Statute	8,727		(8,727)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	18,358		(18,358)

Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:

Statutory provision for the financing of capital investment expenditure charged against the General Fund	(3,352)		3,352
Principal repayment of Avon Loan	(658)		658

Adjustments primarily involving the Capital Grants Unapplied Account:

Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(13,879)	13,879	
Application of grants to capital financing transferred to the Capital Adjustment Account		(11,027)	11,027

Adjustments primarily involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,330)	3,330	
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,545)	2,545
Capital expenditure financed from revenue	(1,691)		1,691
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	9	(9)	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		12	(12)

Adjustments primarily involving the Deferred Capital Receipts Reserve:

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

Adjustments primarily involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	13,008		(13,008)
Employer's pensions contribution and direct payments to pensioners payable in the year	(14,824)		14,824

Adjustments primarily involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	163		(163)
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Adjustments primarily involving the Accumulated Absences Account:

Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(16)		16
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Other movements	1,975		(3,498)
Total Adjustments	27,486	788	2,852
			(32,649)

NOTES TO MAIN FINANCIAL STATEMENTS

2010/11

	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000's	£'000's	£'000's	£'000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation and Impairment of Non-Current Assets	54,054			(54,054)
Revaluation gains on Property Plant & Equipment				-
Movements in the Market Value of Investment Properties	(1,901)			1,901
Amortisation of Intangible Assets	675			(675)
Capital Grants & Contributions Applied	(11,085)			11,085
Revenue expenditure funded from Capital under Statute	17,152			(17,152)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	20,262			(20,262)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Statutory provision for the financing of capital investment expenditure charged against the General Fund	(2,146)			2,146
Principal repayment of Avon Loan	(685)			685
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(11,005)		11,005	
Application of grants to capital financing transferred to the Capital Adjustment Account			(14,833)	14,833
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,475)	1,475		
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,384)		2,384
Capital expenditure financed from revenue	1,769			(1,769)
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	7	(7)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		15		(15)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	174			(174)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(8,670)			8,670
Employer's pensions contribution and direct payments to pensioners payable in the year	(15,812)			15,812
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	130			(130)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	172			(172)
Other movements	(5,539)			5,590
Total Adjustments	36,077	(901)	(3,828)	(31,297)

NOTES TO MAIN FINANCIAL STATEMENTS

8 GENERAL FUND BALANCES AND RESERVES

This note sets out the amounts set-a-side from the general Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

Unearmarked Reserves	31 March 2010 £'000	31 March 2011 £'000	transfers to £'000	transfers from £'000	31 March 2012 £'000
General Fund Balances unearmarked	14,638	13,269	7,926	(5,396)	15,799
Earmarked Reserves	31 March 2010 £'000	31 March 2011 £'000	transfers to £'000	transfers from £'000	31 March 2012 £'000
LMS Schools Balances	3,084	2,514	1,451		3,965
Corporate Earmarked Reserves	15,791	24,827	9,058	(4,349)	29,536
Service Specific Reserves	777	824	74	(302)	596
General Service Earmarked Reserves	1,403	2,261	1,450	(464)	3,247
	21,055	30,426	12,033	(5,115)	37,344
Total General Fund Balances and Reserves	35,693	43,695	19,959	(10,511)	53,143

LMS Schools balances will be used by individual schools

	31 March 2010 £'000	31 March 2011 £'000	transfers to £'000	transfers from £'000	31 March 2012 £'000
Corporate Earmarked Reserves					
Insurance Fund	1,324	1,081	7	(181)	907
Service Supported Borrowing	668	867	199		1,066
Revenue Funding of capital	-	304	1,455	(1,696)	63
Exceptional Risk Reserve	188	188		(128)	60
Affordable Housing & Capital Development	3,000	3,000	-	-	3,000
Revenue Budget Contingency Reserve	1,045	1,045	974		2,019
Revenue Grants Unapplied	-	-	1,788		1,788
Medium Term Financial Challenge Reserve	3,607	5,842		(1,609)	4,233
Capital to Revenue Reversion Reserve	-	-	2,755		2,755
Restructuring Reserve	2,000	5,598	-	-	5,598
Pensions Increase Reserve	1,000	-			-
Other	2,959	6,902	1,879	(734)	8,047
	15,791	24,827	9,057	(4,348)	29,536

The Insurance Fund exists in order to meet the cost of claims which fall below the policy excesses.

The Service Supported Borrowing reserve is used to match capital financing costs arising in the future.

The Revenue Funding of capital reserve is used to finance specific capital spend items.

The Exceptional Risk reserve is used to fund specific costs in respect of poor economic conditions.

The Affordable Housing & Capital Development reserve will be used to fund affordable housing and capital development.

The Revenue Budget Contingency reserve is used to fund unforeseen revenue costs not containable within the annual revenue budget and related risks.

The Revenue Grants Unapplied Reserve is used to fund future costs where the revenue grant is received without any conditions, in advance of Service spend.

The Medium Term Financial Challenge reserve is used to support the Council's change programme including the development and implementation of specific transformation business cases.

The Capital to Revenue Reversion Reserve is used to fund potential revenue costs if a capital project is discontinued before completion.

The Restructuring reserve is used to fund severance related costs related to the Council's downsizing programme.

NOTES TO MAIN FINANCIAL STATEMENTS

	31 March 2010 £'000	31 March 2011 £'000	transfers to £'000	transfers from £'000	31 March 2012 £'000
General Service Earmarked Reserves					
Replacement PC's Reserve	423	482		(226)	256
Desktop Licences Reserve	503	519			519
Resources Systems Reserve	147	68	47	(115)	-
Council Tax Project Reserve	-	-	38		38
One Stop Shop Reserve	-	-	40		40
Planning Claims Reserve	-	-	152		152
Ward Councillors Initiatives Reserve	24	3	67		70
Finance VAT Advice Reserve	100	200		(48)	152
Youth Services	-	75		(75)	-
Adult Services RE-Enablement	-	708	1,106		1,814
Heritage Services Reserve	206	206	-	-	206
	1,403	2,261	1,450	(464)	3,247

9 OTHER OPERATING EXPENDITURE

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Gain/Loss on disposal of non-current assets	17,004	19,321	(2,364)
Parish Precepts	2,021	1,985	1,927
Levy payments to joint bodies	219	221	218
Contribution to Housing Pooled Receipts	9	7	12
	19,253	21,534	(207)

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Interest Payable	5,667	4,624	4,457
Interest & Investment Income	(933)	(789)	(1,261)
Net Deficit/(Surplus) on Trading Services	43	(159)	(337)
Income & expenditure in relation to Investment properties and changes in fair value	(15,406)	(14,225)	(8,769)
Pensions Interest Cost & Expected Return on Pension Assets	4,993	7,851	12,201
	(5,636)	(2,698)	6,291

11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Council Tax Income	(79,285)	(78,632)	(76,504)
Non domestic rates	(33,259)	(36,289)	(32,493)
Non ring fenced government grants	(12,885)	(15,571)	(14,993)
Capital grants and contributions	(13,879)	(11,005)	(17,161)
	(139,308)	(141,497)	(141,151)

NOTES TO MAIN FINANCIAL STATEMENTS

12 PROPERTY, PLANT & EQUIPMENT

Movement in 2011/12:

	Other Land & Buildings	Community Assets	Infrastructure Assets	Veh'cls, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Total Property Plant & Equipment £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation as at 1 April 2011	290,177	3,851	60,997	17,253	26,022	19,205	17,518	435,023
Adjustment to opening balance	(1,169)							(1,169)
Additions	10,852	67	7,112	2,241	10,883	45	52	31,252
Revaluations increases/decreases recognised in the Revaluation Reserve	10,690	61				1,987		12,738
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(10,472)				(247)	(1,087)		(11,806)
De-recognition - Disposals Assets reclassified to/from Held for sale	(17,708)	-	-	(44)	-	-		(17,752)
	(1,312)				-	(575)		(1,887)
Reclassifications - other	(5,596)				(3,008)	(2,797)		(11,401)
Valuation as at 31 March 2012	275,462	3,979	68,109	19,450	33,650	16,778	17,570	434,998
Accumulated Depreciation and Impairment								
Accumulated depreciation as at 1 April 2011	(13,444)	(824)	(15,700)	(8,537)	-	-	0	(38,505)
Adjustment to opening balance	357							357
Depreciation charge in year	(9,399)	(265)	(5,577)	(1,999)				(17,240)
Depreciation written out to the Revaluation Reserve	4,136							4,136
Depreciation written out to the Surplus/Deficit on Provision of Services	2,353							2,353
Impairment losses/(reversals) recognised in the Revaluation Reserve								-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services	(746)					(2)		(748)
De-recognition - disposals	598							598
Other Movements in Depreciation & Impairment	(293)							(293)
Accumulated depreciation at 31 March 2012	(16,438)	(1,089)	(21,277)	(10,536)	-	(2)	-	(49,342)
Balance sheet amount 31 March 2012	259,024	2,890	46,832	8,914	33,650	16,776	17,570	385,656
Net Book Value								
Balance sheet amount 1 April 2011	276,733	3,027	45,297	8,716	26,022	19,205	17,518	396,518
Balance sheet amount 1 April 2010	280,189	3,082	42,488	5,213	19,086	19,011	17,484	386,553

NOTES TO MAIN FINANCIAL STATEMENTS

Comparative Movements in 2010/11:

Restated	Other Land & Buildings	Community Assets	Infrastructure Assets	Veh'cls, Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Total Property Plant & Equipment £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation as at 1 April 2010	303,594	3,642	53,397	12,117	19,086	19,011	17,484	428,331
Adjustment to opening balance								-
Additions	12,990	183	7,600	5,204	6,936	628	34	33,575
Revaluations increases/decreases recognised in the Revaluation Reserve	45,144	111				799		46,054
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(49,428)	(85)				(33)		(49,546)
De-recognition - Disposals	(22,013)	-	-	(68)	-			(22,081)
Assets reclassified to/from Held for sale	(110)					(1,200)		(1,310)
Reclassifications - other								-
Valuation as at 31 March 2011	290,177	3,851	60,997	17,253	26,022	19,205	17,518	435,023
Accumulated Depreciation and Impairment								
Accumulated depreciation as at 1 April 2010	(23,411)	(559)	(10,909)	(6,904)				(41,783)
Adjustment to opening balance								-
Depreciation charge in year	(8,391)	(265)	(4,791)	(1,669)				(15,116)
Depreciation written out to the Revaluation Reserve	5,091							5,091
Depreciation written out to the Surplus/Deficit on Provision of Services	10,969					(3)		10,966
Impairment losses/(reversals) recognised in the Revaluation Reserve								-
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services	(358)							(358)
De-recognition - disposals	2,476			36		3		2,515
Other Movements in Depreciation & Impairment	180							180
Accumulated depreciation at 31 March 2011	(13,444)	(824)	(15,700)	(8,537)	-	-	-	(38,505)
Balance sheet amount 31 March 2011	276,733	3,027	45,297	8,716	26,022	19,205	17,518	396,518
Net Book Value								
Balance sheet amount 1 April 2010 (Restated)	280,189	3,082	42,488	5,213	19,086	19,011	17,484	386,553
Balance sheet amount 1 April 2009	284,499	3,164	40,349	6,484	11,828	17,228	-	363,552

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Other Land and Buildings	30 - 60 years
Vehicles, Plant and Equipment	3 - 10 years
Infrastructure	10 - 50 years

NOTES TO MAIN FINANCIAL STATEMENTS

Capital Commitments

At 31 March 2012 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years estimated to cost £7.7m.

The major commitments are:

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Resources (Property) Schemes	1,745	1,313	-
Housing - General Fund		1,453	1,640
Education & Children's Services	2,410	3,857	4,812
Combe Down Stone Mines (costs will be met by English Partnerships)		-	746
Public Realm	266	401	397
BWR (Infrastructure & Affordable Housing)	2,574	6,101	
Highways & Bridge Strengthening		526	2,230
Waste Services	23	791	
Neighbourhoods projects	649		
	7,667	14,442	9,825

Effects of Changes in Estimates

In 2011/12 there were no material changes made to the Authorities accounting estimates for Property, Plant & Equipment.

Revaluations

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. All valuations were carried out internally. Valuations of land & buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	Total £'000
Valued at fair value as at:				
31 March 2012	259,024	8,914	16,776	284,714
31 March 2011	276,732	8,715	19,185	304,632
31 March 2010	280,189	5,213	19,015	304,417

13 HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority:

	Victoria Art Gallery £'000	Roman Baths £'000	Costume Museum £'000	Records Chandeliers £'000	Records Office £'000	Records Library £'000	Total £'000
2010/11							
Cost or Valuation							
1st April 2010	11,949	1,337	1,022	1,000	936	1,239	17,483
Additions	34						34
Disposals							-
Revaluations							-
Impairment Losses/(reversals) recognised in the Reval Reserve							-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on Provision of Service							-
31st March 2011	11,983	1,337	1,022	1,000	936	1,239	17,517
2011/12							
Cost or Valuation							
1st April 2011	11,983	1,337	1,022	1,000	936	1,239	17,517
Additions	52						52
Disposals							-
Revaluations							-
Impairment Losses/(reversals) recognised in the Reval Reserve							-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on Provision of Service							-
31st March 2012	12,035	1,337	1,022	1,000	936	1,239	17,569

A summary of transactions relating to heritage assets over the last 5 years has not been produced as it is not practicable to provide such information prior to 1st April 2010.

NOTES TO MAIN FINANCIAL STATEMENTS

14 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Rental Income from Investment Property	15,617	15,085	14,000
Direct operating expenses arising from Investment Property	(2,412)	(2,623)	(1,965)
Net gain/(loss)	13,205	12,462	12,035

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Balance at start of year	219,289	217,434	218,496
Adjustment to opening balance			454
Additions of expenditure	5,907	90	204
Disposals	(151)	(136)	(214)
Net gains/losses from fair value adjustments	850	1,901	(2,139)
Transfer to/from Property, Plant & Equipment	12,967	-	633
Balance at end of the year	238,862	219,289	217,434

15 INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, Plant and Equipment. All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Authority.

The carrying amount of intangible assets is amortised on a straight-line basis over a 3 year period.

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Cost or valuation as at 1 April	2,264	1,526	953
Purchases	-	738	573
Cost or valuation as at 31 March	2,264	2,264	1,526
Accumulated depreciation as at 1 April	1,415	741	148
Depreciation for the period	152	675	593
Accumulated depreciation at 31 March	1,567	1,416	741
Net Carrying amount at 31 March	697	848	785

NOTES TO MAIN FINANCIAL STATEMENTS

16 FINANCIAL INSTRUMENTS

Balances: The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments.

	Long-Term			Current		
	31 March	31 March	31 March	31 March	31 March	31 March
	2010	2011	2012	2010	2011	2012
	£'000	£'000	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost - loans	80,493	90,490	120,486	-	-	-
Accrued Interest (1)				1,321	1,377	1,558
Financial liabilities at amortised cost trade creditors				41,631	33,730	30,843
Total borrowings	80,493	90,490	120,486	42,952	35,107	32,401

The Council does not have any Financial Liabilities at fair value through profit and loss.

	31 March	31 March	31 March	31 March	31 March	31 March
	2010	2011	2012	2010	2011	2012
	£'000	£'000	£'000	£'000	£'000	£'000
Loans & receivables (cash on deposit) (1)	-	-	-	69,300	64,000	131,938
Accrued Interest (2)				294	356	509
Loans & receivables - trade debtors				5,468	11,170	15,097
Total Investments	-	-	-	75,062	75,526	147,544

(1) The increase in cash on deposit as at 31st March 2012 is mainly due to grants held by the Council on behalf of the West of England Partnership (see note 47).

(2) Accrued interest reflects interest on financial liabilities/loans & receivables which is payable within 12 months of the balance sheet date.

The Council does not have any Available for Sale Assets or Unquoted Equity Instruments at Cost.

The Council has not granted any financial guarantees or soft loans.

Financial Instruments Gains & Losses

	Financial Liabilities			Financial Assets			Total
	31 March	31 March	31 March	31 March	31 March	31 March	
	2010	2011	2011	2012	2012	2012	
	Total	Liabilities measured at amortised cost	Loans & Receivables	Total	Liabilities measured at amortised cost	Loans & Receivables	£'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense *	(3,426)	(3,828)	-	(3,828)	(4,837)	-	(4,837)
Interest payable & similar charges	(3,426)	(3,828)	-	(3,828)	(4,837)	-	(4,837)
Interest Income	1,248	-	760	760	-	933	933
Interest & investment Income	1,248	-	760	760	-	933	933
Net gain/(loss) for the Year	(2,178)	(3,828)	760	(3,068)	(4,837)	933	(3,904)

*The Council also paid £1.49m (of which £0.66m related to principle), in respect of its share of debt relating to the former Avon County Council which is managed by Bristol City Council.

The increase in interest expense reflects interest payments on additional borrowing undertaken during 2011/12.

The increase in interest income earned reflects a combination of higher average cash balances held and higher average interest earned during 2011/12.

NOTES TO MAIN FINANCIAL STATEMENTS

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

+ cash flows arising from Public Works Loan Board loans have been discounted at the premature repayment rates published by the Board, so that the fair value equals the amount at which the authority could repay its loans on balance sheet date.

+ cash flows arising from "lender's option borrower's option" (LOBO) loans have been discounted using a rate of 0.65% below comparative PWLB repayment rates reflecting the value of 6 monthly options to the lender.

+ cash flows arising from investments have been discounted at money market rates available for investments of similar remaining maturities on the balance sheet date.

+ the fair value of trade receivables and payables is taken to be the invoiced amount.

+ The purpose of The fair value disclosure is primarily to provide a comparison with The carrying value in The Balance Sheet. Since this will include accrued interest as at The Balance Sheet date, we have also included accrued interest in The fair value calculation.

The fair values calculated are as follows:

	31 March 2010		31 March 2011		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Liabilities - PWLB Loans	60,914	59,705	70,970	72,523	101,151	126,743
Financial Liabilities - Market Loans	20,901	24,295	20,897	25,134	20,893	30,256
Financial Liabilities - trade creditors	41,631	41,631	33,730	33,730	30,843	30,843
	123,446	125,631	125,597	131,387	152,887	187,842

The fair value as at 31st March 2012 on the Council's portfolio of loans is more than the carrying amount because the interest rate payable is higher than the premature repayment rates available for similar loans at the Balance Sheet date. This commitment to pay interest above market exit prices increases the amount that the Council would have to pay if it requested early repayment of the loan.

	31 March 2010		31 March 2011		31 March 2012	
	£'000	£'000	£'000	£'000	£'000	£'000
Loans & Receivables - investments	69,594	69,687	64,356	64,399	132,447	132,525
Loans & Receivables - trade debtors	5,468	5,468	11,170	11,170	15,097	15,097

The fair value of loans and receivables is slightly higher than the carrying amount as at 31st March 2012 due to fixed interest investments being held by the authority where the interest rate is higher than the prevailing rate estimated to be available on the balance sheet date.

Disclosure of nature and extent of risks arising from financial instruments

The authority'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 authority

* liquidity and refinancing risk - the possibility that the authority might not have funds available, or that it may have to borrow funds at a high rate of interest, to meet its financial obligations.

* market risk - the possibility that changes in market variables such as interest rates and asset prices may place an unexpected burden on the authority's finances.

The authority'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 the central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk interest rate risk and investment of surplus cash.

NOTES TO MAIN FINANCIAL STATEMENTS

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. The Council's approved Treasury Management Strategy for 2011/12 set the minimum credit ratings for the banks and financial institutions with which deposits can be made. The minimum credit ratings were Short Term rating F1 or equivalent, Long Term rating A or equivalent, and Support rating 3 or equivalent. The Council also set additional criteria in relation to the time limit and amount of monies which will be invested with financial institutions based on the level of their credit rating with a maximum lending limit of £20m restricted to UK banks, on the basis that they either had already or were likely to receive support from the UK Government should they experience financial difficulties. Investments in UK Building Societies that do not meet the above criteria are permitted provided they have a minimum asset size of £4bn and a long-term rating of BBB or above and short-term credit rating of F2 or above. These investments are subject to a lower cash limit and shorter time limit.

Investments in foreign countries will be limited to those that hold a AAA or AA+ sovereign credit rating from all three major credit rating agencies, an to a maximum of £15 million per country. Banks that are domiciled in one country but are owned in another country will need to meet the rating criteria of an will count against the limit for both countries. There is no aggregate limit on investments in the UK.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

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

	Amount at 31 March 2012	Historical Experience of default	Estimated maximum exposure to default & uncollectability
	£'000	%	£'000
Deposits with banks & financial institutions			
(grouped by LT credit rating):			
Government Debt Management Office & Local Authorities - AAA rated	79,120	0.00	0
Banks/Financial Institutions with lowest equivalent rating of AAA	15,006	0.15	23
Banks/Financial Institutions with lowest equivalent rating of AA	10,015	0.29	29
Banks/Financial Institutions with lowest equivalent rating of A	28,306	0.77	218
Total deposits with Banks & Financial Institutions	132,447	-	269

	2012	2011	2010
Trade Debtors	15,097	11,170	5,468
Total debtors at 31st March including trade debtors	22,224	23,714	31,854

The historical experience of default for deposits is based on a simple tri-agency average of historic default rates over the past 5 years from Fitch, Moody's and Standard & Poor's rating agencies.

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 due to its tight investment policy.

The authority does not generally allow credit for customers, such that the balance of £15.1m outstanding at 31st March 2012 is all past its due date for payment.

The past due amount can be analysed by age as follows:

	2011/12 £'000's	2010/11 £'000's	2009/10 £'000's
Less than three months	12,688	9,259	4,003
Three to six months	538	471	332
Six months to one year	530	557	336
More than one year	1,341	883	797
	15,097	11,170	5,468

NOTES TO MAIN FINANCIAL STATEMENTS

The following table provides analysis of investment balances (including accrued interest) as at 31st March by the country of the counterparty. If the financial institution is part of a group, the country is assessed by the parent financial institution.

	Amount at 31 March 2010 £'000's		Amount at 31 March 2011 £'000's		Amount at 31 March 2012 £'000's	
		%		%		%
Loans & Receivables (Cash on Deposit) by Country Analysis						
UK Debt Management Office	8,300	11.9%	-	0.0%	56,943	43.0%
UK Local Authorities	-	0.0%	-	0.0%	22,177	16.7%
UK - Other Financial Institutions	41,169	59.2%	49,324	76.6%	43,312	32.7%
Australia	5,000	7.2%	5,003	7.8%	-	0.0%
Singapore	5,008	7.2%	5,000	7.8%	10,015	7.6%
Spain	5,071	7.3%	-	0.0%	-	0.0%
Sweden	5,046	7.3%	5,028	7.8%	-	0.0%
Total	69,594	100.0%	64,355	100%	132,447	100%

Liquidity and Refinancing Risk

As the Council has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Following the recent transition from being debt free, with long term borrowing only starting in 2004/05, the Council's debt maturity profile is mainly in the 40+ year range, with the earliest maturity in 2029/30. As the borrowing portfolio develops in the future the maturity profile will be structured to ensure an even spread.

The maturity analysis of borrowing is as follows:

	31 March 2010 £'000	31 March 2011 £'000	31 March 2012 £'000
Borrowing due for repayment:			
Between 15 and 20 years	0	0	15,000
Between 20 and 25 years	10,000	15,000	15,000
Between 40 and 45 years	50,227	60,490	70,486
Between 45 and 50 years	20,266	15,000	20,000
	80,493	90,490	120,486

Trade creditors and interest on borrowing are not included in the above table. They fall due to be paid in less than one year.

The Council does hold £20m of borrowing through market loans called LOBOs (Lenders Option Borrowers Option) where, after an initial fixed interest period, the lender has six monthly options to increase the coupon rate of the loan. If the lender decided to increase the coupon rate the Council would have the option to either agree to the increased rate or to repay the loan with no penalty charge. In the event that the Council decided to repay the loan and long term borrowing rates were unfavourable, it is likely that short term borrowing would be undertaken until long term rates return to target levels. The fixed interest period has passed on all loans and the lender has options to change the rate of interest in April and October of each year the loan continues.

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

NOTES TO MAIN FINANCIAL STATEMENTS

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 Income and Expenditure Account 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 Income and Expenditure Account will rise
- * investments at fixed rates - the fair value of the assets will fall.

Borrowings and fixed rate investments are not carried at fair value, so nominal gains and losses on fixed rate borrowings & investments would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance £ for £.

To manage the interest rate risk, a maximum limit for borrowings in variable rate loans is set at 50% of total borrowings. The effect of interest rates is monitored throughout the year and the impacts are reflected in budget monitoring reports which identify performance against the budget. This allows any adverse changes to be accommodated.

For indication purposes, at 31st March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(181)
Impact on Income and Expenditure Account	(181)
Decrease in fair value of fixed rate investment assets (no impact on I & E)	222
Decrease in fair value of fixed rate borrowing liabilities (no impact on I & E)	27,296

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

Price Risk

The authority does not invest in equity shares and doesn't have shareholdings in any joint ventures and is therefore not exposed to losses arising from movements in the prices of shares. Changes in the price of fixed interest investments are managed as part of the authority's interest rate risk management strategy.

Foreign Exchange Risk

The authority has no financial assets or liabilities denominated in foreign currencies and it makes few purchases or sales in foreign currencies. It therefore has no material exposure to loss arising from movement in exchange rates.

17 Financial Instruments Adjustment Account & Available-for-Sale Instruments Reserve

There are no balances or transactions on these accounts.

18 INVENTORIES

	Balance 2009/10	Balance 2010/11	Purchases	Recognised as expense in year	Written off Balances	Balance 2011/12
	£'000	£'000	£'000	£'000	£'000	£'000
Consumable Stores	370	383	62	(15)		430
Maintenance Materials	-	-				-
Client Services Work in Progress	230	160	76	(167)		69
Total Inventories	600	543	138	(182)	-	499

NOTES TO MAIN FINANCIAL STATEMENTS

19 DEBTORS

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Amounts falling due in one year:			
Central Government bodies	6,768	6,095	3,578
Other local authorities	196	855	
NHS bodies	1,276	208	
Public corporations and trading funds	-	-	
Other entities and individuals	10,522	12,319	21,355
Prepayments	3,462	4,237	3,968
Total - Current Assets	22,224	23,714	28,901

20 CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Cash held by the authority	78	93	97
Bank current accounts	7,414	10,599	11,228
Short-term deposits	74,957	29,065	20,121
Total cash and cash equivalents	82,449	39,757	31,446

21 ASSETS HELD FOR SALE

	Current			Non-Current		
	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10
	£'000	£'000	£'000	£'000	£'000	£'000
Balance outstanding at start of year	1,879	1,145	1,698			
Assets newly classified as held for sale:	1,926					
Property, Plant & Equipment		1,310	1,145	-	-	
Revaluation gains/(losses)	(283)	(16)				
Assets declassified as held for sale:	(1,600)					
Assets sold	(455)	(560)	(1,698)			
Balance outstanding at year end	1,467	1,879	1,145	-	-	-

22 CREDITORS

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Central government bodies	65,615	6,363	3,602
Other local authorities	947	3,804	3,490
NHS bodies	127	1,333	
Public corporations and trading funds	2	2	
Other entities and individuals	32,599	32,552	37,541
Income Received in Advance	2,214	10,758	7,945
Pensions Fund	3,530	1,679	10,179
	105,034	56,491	62,757

Included in 2011/12 is £57m held on behalf of West of England's Revolving Investment Fund which will provide for future infrastructure works, and is described further in Note 47.

NOTES TO MAIN FINANCIAL STATEMENTS

23 PROVISIONS FOR LIABILITIES

Provisions comprise:	31 March 2010 £'000	31 March 2011 £'000	New Provisions £'000	Utilised in Year £'000	Written Back £'000	31 March 2012 £'000
Social Services	56	-	-	-	-	-
Spa Right of Lights Provision	38	38	-	-	-	38
Provision for Child Care Costs	444	330	-	-	-	330
Chew Valley Bus Partnership	32	32	-	-	-	32
Children's Services Provision	-	32	-	-	-	32
Landfill Provision	-	6	-	(6)	-	-
Highways Provision	-	-	51	(30)	-	21
Customer Services Provision	-	-	113	-	-	113
Pension Contribution Provision	-	-	66	-	-	66
Land Charge Fee Provision	-	34	-	-	-	34
Planning Provision	-	250	-	(98)	(152)	-
	570	722	230	(134)	(152)	666

- * The Social Services provision was for a compensation claim.
- * The Spa right of lights provision is in relation to a possible claim arising from the Spa project.
- * The provision for child care costs is to provide for fees and charges in relation to a recent court case, the amount of which is unknown.
- * Chew Valley Bus Partnership is a provision for repayment of grant funding not spent.
- * The Highways reserve is for a contractual dispute.
The Customer Services provision is to provide for an over claim of Housing Benefit subsidy relating to 2010-11 that was identified as part of the external audit process.
- * The Pension Contribution Provision is for an error in the Contribution Rate to the Pension Fund
- * The Children's Services Provision is for an employee claim.
- * The Land Charges Fee Provision is for search fee claims.
- * The Planning Provision is for a compensation claim.

The amounts payable and the timing of the outflow of economic benefits is unknown.

24 UNUSABLE RESERVES

	2011/12 £'000	Restated 2010/11 £'000	Restated 2009/10 £'000
Revaluation Reserve	86,848	80,071	28,701
Capital Adjustment Account	387,976	409,424	466,574
Deferred Capital Receipts Reserve	486	498	339
Accumulated Absences Account	(1,606)	(1,590)	(1,762)
Pensions Reserve	(185,274)	(154,304)	(193,563)
Collection Fund Adjustment Account	680	843	973
Total Unusable Reserves	289,110	334,942	301,262

NOTES TO MAIN FINANCIAL STATEMENTS

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- * re-valued 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 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.

	2011/12	<i>Restated</i> 2010/11	<i>Restated</i> 2009/10
	£'000	£'000	£'000
Balance at 1 April	80,071	28,701	6,876
Adjustment to opening balance	(1,015)		
Upwards revaluation of assets	17,003	52,323	22,372
Downwards revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(412)	(1,251)	(279)
Transfer of depreciation on re-valued assets	(449)	(216)	(265)
Written Back on asset disposal and transfer	(8,351)	514	-
Impairment of fixed assets - transfer			(3)
Balance at 31 March	86,848	80,071	28,701

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. The account is credited with the amounts set a side by the Authority as finance for the cost of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties.

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

Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2011/12	2011/12	2010/11
	£'000	£'000	£'000
Balance at 1 April		409,424	466,569
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(17,239)		(15,117)
Revaluation losses on Property, Plant & Equipment	(10,202)		(38,938)
Amortisation of intangible assets	(152)		(675)
Revenue expenditure funded from capital under statute	(8,727)		(17,152)
Grant funding of revenue expenditure funded from capital under statute	3,747		11,085
		(32,573)	(60,797)
Adjusting amounts written out of the Revaluation Reserve			
Transfer of depreciation on re-valued assets		449	216
Transfer of revaluation reserve balance on asset disposal		8,351	(514)
Net written out amount of the cost of non-current assets consumed in the year		(23,773)	(61,095)
Capital financing applied in the year:			
Use of capital receipts reserve to finance new capital expenditure	2,545		2,384
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	11,027		14,833
Capital expenditure financed from revenue	1,691		1,769
Minimum Revenue Provision	3,352		2,146
		18,615	21,132
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		850	1,901
Deferred liability - Repayment of Avon Loan Debt		657	685
Carrying value of fixed assets disposed of		(18,358)	(20,262)
Other movements		561	494
Balance at 31 March		387,976	409,424

NOTES TO MAIN FINANCIAL STATEMENTS

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 Authority 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 Authority makes employer's 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 in the benefits earned by past and current employees and the resources the Authority 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.

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Balance at 1 April	(154,304)	(193,563)	(141,136)
Actuarial gains or losses on pensions assets and liabilities	(32,786)	14,777	(47,070)
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	(13,008)	8,670	(20,946)
Employer's pensions contributions and direct payments to pensioners payable in the year	14,824	15,812	15,589
Balance at 31 March	(185,274)	(154,304)	(193,563)

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.

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Balance at 1 April	498	339	359
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement		174	-
Transfer to the Capital Receipts Reserve upon receipt of cash	(12)	(15)	(20)
Balance at 31 March	486	498	339

Collection Fund Adjustment Account

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

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Balance at 1 April	843	973	1,255
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(163)	(130)	(282)
Balance at 31 March	680	843	973

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 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2011/12 £'000	2011/12 £'000	2010/11 £'000
Balance at 1 April		(1,590)	(1,762)
Settlement or cancellation of accrual made at the end of the preceding year	1,590		1,762
Amounts accrued at the end of the current year	(1,606)		(1,590)
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(16)	(1,590)
Balance at 31 March		(1,606)	(1,590)

NOTES TO MAIN FINANCIAL STATEMENTS

25 CASH FLOW STATEMENT

Note A to the cashflow statement	2011/12	2010/11
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	(19,560)	(28,024)
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation	17,239	15,117
Impairment and downward valuations	10,202	38,938
Amortisation	152	675
Adjustments for effective interest rates	177	52
Increase/Decrease in Interest Creditors	(1)	(1)
Increase/Decrease in Creditors	49,943	(14,385)
Increase/Decrease in Interest and Dividend Debtors	1,241	1,007
Increase/Decrease in Debtors	(270)	4,429
Increase/Decrease in Inventories	44	57
Pension Liability	(4,993)	(7,851)
Pension Fund Gains on Past Service Costs	-	(31,603)
Contributions to/(from) Provisions	(56)	152
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	18,358	20,262
Carrying amount of short and long term investments sold	-	14,182
Movement in investment property values	(850)	(1,901)
Other movements	2,018	1,322
	93,205	40,452

Note A to the cashflow statement continued

<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>		
Capital Grants credited to surplus or deficit on the provision of services	(13,879)	(11,005)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(3,329)	(1,476)
	(17,208)	(12,481)
Net Cash Flows from Operating Activities	56,437	(53)

Note B to the Cash Flow Statement - Operating Activities (Interest)

	2011/12	2010/11
	£'000	£'000
Operating activities within the cashflow statement include the following cash flows relating to interest		
Ordinary interest received	933	789
Opening Debtor	713	294
Closing Debtor	(528)	(713)
Interest Received	2,174	1,796
Interest charge for year	(5,667)	(4,624)
Adjustment for difference between effective interest rates and actual interest payable	177	52
Opening Creditor	-	(1)
Closing Creditor		
Interest Paid	(5,490)	(4,573)

NOTES TO MAIN FINANCIAL STATEMENTS

<u>Note C to the Cash Flow Statement - Cash Flows from Investing Activities</u>	2011/12	2010/11
	£'000	£'000
Property, Plant and Equipment Purchased	(37,163)	(34,370)
Opening Capital Creditors	(7,760)	(3,151)
Closing Capital Creditors	5,158	7,760
Movement on other capital creditors	(1)	(1)
Purchase of Property, Plant and Equipment, investment property and intangible assets	(39,766)	(29,761)
Purchase of short term investments	(22,199)	-
Long term loans granted	(47)	(314)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	3,699	722
Other capital cash receipts	(52)	549
Capital Grants Received	17,453	22,542
Other Receipts from Investing Activities	17,401	23,091
Total Cash Flows from Investing Activities	(40,912)	(6,264)

<u>Note D to the Cash Flow Statement - Cash Flows from Financing Activities</u>	2011/12	2010/11
	£'000	£'000
Cash receipts of long term borrowing	30,000	10,000
Billing Authorities - Council Tax and NNDR adjustments	2,185	4,176
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	428	288
Repayment of Short-Term and Long-Term Borrowing	(658)	(684)
Payments for the reduction of a finance lease liability	-	-
Total Cash Flows from Financing Activities	31,955	13,780

<u>Note E - Makeup of Cash and Cash Equivalents</u>	2011/12	2010/11
	£'000	£'000
Cash and Bank Balances	7,492	10,692
Cash Investments - regarded as cash equivalents	74,957	29,065
Bank Overdraft	(10,002)	(14,790)
	72,447	24,967

NOTES TO MAIN FINANCIAL STATEMENTS

26 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- * no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- * the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- * expenditure on some support services is budgeted for centrally and not charged to portfolios

Portfolio Income & Expenditure 2011/12

	Transport	Early Years Children & Youth	Wellbeing	Leader	
	£'000	£'000	£'000	£'000	
Fees, charges & other income	(22,775)	(17,738)	(36,521)	(11,252)	
Government grants	(1,262)	(104,270)	(4,987)	84	
Total Income	(24,037)	(122,008)	(41,508)	(11,168)	
Employee expenses	6,953	86,419	9,721	6,501	
Other service expenses	20,898	44,754	80,177	8,559	
Support service recharges	2,291	9,099	2,139	2,722	
Total Expenditure	30,142	140,272	92,037	17,782	
Net Expenditure	6,105	18,264	50,529	6,614	
	Neighbourhoods	Sustainable Development	Community Resources	Homes & Planning	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other income	(6,704)	(16,563)	(38,589)	(2,503)	(152,645)
Government grants	(379)	(46)	(63,281)	(53)	(174,194)
Total Income	(7,083)	(16,609)	(101,870)	(2,556)	(326,839)
Employee expenses	11,912	5,104	16,868	4,178	147,656
Other service expenses	13,756	7,111	85,201	1,949	262,405
Support service recharges	3,512	3,656	8,405	1,193	33,017
Total Expenditure	29,180	15,871	110,474	7,320	443,078
Net Expenditure	22,097	(738)	8,604	4,764	116,239

Portfolio Income & Expenditure 2010/11

	Transport	Early Years Children & Youth	Wellbeing	Leader	
	£'000	£'000	£'000	£'000	
Fees, charges & other income	(22,950)	(22,176)	(35,000)	(11,801)	
Government grants	(1,644)	(133,249)	(4,538)	(148)	
Total Income	(24,594)	(155,425)	(39,538)	(11,949)	
Employee expenses	7,943	109,381	16,869	6,945	
Other service expenses	20,945	60,971	68,449	8,974	
Support service recharges	1,744	9,371	3,026	2,590	
Total Expenditure	30,632	179,723	88,344	18,509	
Net Expenditure	6,038	24,298	48,806	6,560	
	Neighbourhoods	Sustainable Development	Community Resources	Homes & Planning	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other income	(7,600)	(15,839)	(38,604)	(2,432)	(156,402)
Government grants	(1,000)	(405)	(57,899)	(91)	(198,974)
Total Income	(8,600)	(16,244)	(96,503)	(2,523)	(355,376)
Employee expenses	12,590	5,537	18,067	4,911	182,243
Other service expenses	14,780	8,021	82,955	1,985	267,080
Support service recharges	3,345	3,347	7,990	1,476	32,889
Total Expenditure	30,715	16,905	109,012	8,372	482,212
Net Expenditure	22,115	661	12,509	5,849	126,836

NOTES TO MAIN FINANCIAL STATEMENTS

Reconciliation of Portfolio Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/12 £'000	2010/11 £'000
Net expenditure in the portfolio analysis	116,239	126,836
Net expenditure of services and support services not included in the analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	22,824	22,484
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	6,188	1,365
Cost of Services in Comprehensive Income and Expenditure Statement	145,251	150,685

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12	Portfolio Analysis	Services & Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(152,645)		-	-		(152,645)	-	(152,645)
Interest & Investment income				933		933	(933)	-
Income from council Tax				13,205		13,205	(15,406)	(2,201)
Government grants & contributions	(174,194)					(174,194)	(139,308)	(313,502)
Total Income	(326,839)	-	-	14,138	-	(312,701)	(155,647)	(468,348)
Employee expenses	147,656		(6,856)			140,800	4,993	145,793
Other service expenses	262,405		2,086	(2,283)		262,208	2,283	264,491
Support service recharges	33,017					33,017		33,017
Depreciation, amortisation & impairment			17,392			17,392		17,392
Interest payments				10,202		10,202		10,202
Precepts & levies								-
Payments to housing								-
Capital Receipts Pool							5,667	-
Gain or loss on disposal of Fixed Assets								-
Total Expenditure	443,078	-	22,824	(7,950)	-	457,952	29,956	487,908
Surplus or deficit on the provision of services	116,239	-	22,824	6,188	-	145,251	(125,691)	19,560

NOTES TO MAIN FINANCIAL STATEMENTS

2010/11	Portfolio Analysis	Services & Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(156,402)			(5,077)		(161,479)		(161,479)
Interest & Investment income				789		789	(789)	-
Income from council Tax				12,324		12,324	(14,225)	(1,901)
Government grants & contributions	(198,974)					(198,974)	(141,497)	(340,471)
Total Income	(355,376)	-	-	8,036	-	(347,340)	(156,511)	(503,851)
Employee expenses	182,242		(33,320)			148,922	7,851	156,773
Other service expenses	267,081		1,075	(2,047)		266,109	2,047	268,156
Support service recharges	32,889					32,889		32,889
Depreciation, amortisation & impairment			15,791			15,791		15,791
Interest payments			38,938			38,938		38,938
Precepts & levies				(4,624)		(4,624)	4,624	-
Payments to housing								-
Capital Receipts Pool							7	7
Gain or loss on disposal of Fixed Assets							19,321	19,321
Total Expenditure	482,212	-	22,484	(6,671)	-	498,025	33,850	531,875
Surplus or deficit on the provision of services	126,836	-	22,484	1,365	-	150,685	(122,661)	28,024

27 TRADING OPERATIONS

The Council has the following Trading Services which are required to operate in a commercial environment and balance their budget by generating income from providing services to the public and other organisations, or as support functions to other frontline Council Departments.

	2011/12 Income £'000	2011/12 Expend £'000	Deficit/ (Surplus) £'000	2010/11 £'000
School and Other Catering	(2,952)	2,996	44	208
Cleaning Services	(897)	837	(60)	(131)
Fleet Management	(2,075)	2,205	130	125
Passenger Transport Services	(4,900)	5,240	340	214
Trade Refuse Collection	(670)	486	(184)	(296)
Grounds Maintenance	0	0	0	25
Building Maintenance	(952)	949	(3)	(22)
Print Services	(458)	549	91	39
Bath Museum Shops	(2,059)	1,744	(315)	(321)
Surplus for Year	(14,963)	15,006	43	(159)

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public whilst others are support services to the Authority's services to the public. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure.

	2011/12 £'000	2010/11 £'000
Net surplus on trading operations	43	(159)
Services to the public included in Expenditure of Continuing Operations	(162)	(400)
Support services recharged to Expenditure of Continuing Operations	205	241
Net Surplus credited to Other Operating Expenditure	43	(159)

NOTES TO MAIN FINANCIAL STATEMENTS

28 POOLED FUNDING

The Council established a partnership agreement with Bath and North East Somerset Primary Care Trust (PCT), the Probation Service and Avon and Somerset Police using powers under Section 75 of the NHS Act 2006 to pool funds and create a single budget. The budget is used to commission Drug and Alcohol Treatment Services for Adults and Substance Misuse Services for Young People.

	2011/12 £'000	2010/11 £'000
Balance Brought Forward from previous year	86	43
Gross Funding		
Bath & North East Somerset Council	541	541
Bath & North East Somerset Council Community Safety		20
Bath & North East Somerset Council Area Based Grant	57	57
Bath & North East Somerset Council LAA Funding		
Bath & North East Somerset Primary Care Trust	767	881
South Gloucestershire Primary Care Trust	4	4
Bristol & Bristol South West Primary Care Trust	10	10
North Somerset Primary Care Trust	3	3
Probation Service (Avon & Somerset)	19	19
Home Office	48	137
Youth Justice Board		
National Agency Treatment Plan (Dept. of Health)	1,303	1,208
Interest on External Funding Balances	3	3
Total Funding	2,841	2,926
Expenditure		
Spend on drug and alcohol services for Adults	2,607	2,773
Spend on drug and alcohol services for Young People	67	67
Total Expenditure	2,674	2,840
Net Underspend to be carried forward	167	86

The Council established a partnership agreement with Bath and North East Somerset Primary Care Trust (PCT), using powers under Section 75 of the NHS Act 2006 to pool funds and create a single budget to provide services to adults with learning difficulties.

	2011/12 £'000	2010/11 £'000
Balance Brought Forward from previous year	-	-
Gross Funding		
Bath & North East Somerset Council	13,438	12,065
Bath & North East Somerset Primary Care Trust	4,938	8,715
Bath & North East Somerset Council Area Based Grant	113	113
Department of Health Vote Transfer Grant	3,156	-
Department of Health Campus Closure Grant	43	51
Interest on External Funding Balances	49	41
Other Income	-	13
Total Funding	21,737	20,998
Total Expenditure	21,737	20,998
Net Underspend /over spend	-	-

NOTES TO MAIN FINANCIAL STATEMENTS

The Council established a partnership agreement with Bath and North East Somerset Primary Care Trust (PCT) , using powers under Section 75 of the NHS Act 2006 to pool funds and create a single budget to provide equipment for the community.

			2011/12 £'000	2010/11 £'000
	Equipment	Rails	Total	Total
Gross Funding				
Bath & North East Somerset Council	241	60	301	319
Bath & North East Somerset Primary Care Trust	184	26	210	247
Interest on External Funding Balances			1	1
Total Funding			512	567
Spend on community equipment services			426	476
Spend on rail contract			86	91
Total Expenditure			512	567
Net Underspend / overspend			-	-

The Council established a partnership agreement with Bath and North East Somerset Primary Care Trust (PCT) , using powers under Section 75 of the NHS Act 2006 to pool funds and create a single budget to provide services to children with multiple and complex needs.

	2011/12 £'000	2010/11 £'000
Gross Funding		
Bath & North East Somerset Council	2,484	2,484
Bath & North East Somerset Primary Care Trust	131	131
Total Funding	2,615	2,615
Total Expenditure	2,682	2,289
Net Underspend / (overspend)	(67)	326

29 MEMBERS ALLOWANCES

The total cost of Members Allowances for 2011/12 including employers national insurance, pensions contributions and expenses was £894,950 (£888,623 in 2010/11).

Payments to Members listed below do not include the cost of employers national insurance or pension contributions:

		Basic & Special Allowance	Expenses	Total
		£	£	£
ALLEN	S	23,437	-	23,437
ANKETELL-JONES	PM	6,921	54	6,976
APPLEYARD	R	15,197	590	15,787
BALL	S	8,295	343	8,638
BALL	TM	24,512	416	24,929
BARRETT	CV	7,732	133	7,865
BATT	GM	11,287	726	12,013
BEATH	CE	23,478	467	23,945
BELLOTTI	DF	23,915	2,007	25,922
BEVAN	SF	12,772	810	13,582
BLANKLEY	MP	6,921	-	6,921
BRETT	LJ	6,921	1,414	8,335
BRINKHURST	L	8,380	182	8,561
BULL	JA	15,320	441	15,761
BUTTERS	TN	7,732	-	7,732
CHALKER	BA	7,732	-	7,732
CLARKE	AK	7,732	-	7,732
CLARKE	VJ	1,183	-	1,183
COOMBES	NJ	10,809	-	10,809
CRAY	C	1,320	-	1,320
CROSSLEY	PN	35,334	681	36,016
CURRAN	GF	19,270	-	19,270

NOTES TO MAIN FINANCIAL STATEMENTS

		Basic & Special Allowance	Expenses	Total
		£	£	£
DARRACOTT	C	811	-	811
DAVIS	S	15,337	-	15,337
DEACON	DE	8,451	202	8,653
DEWEY	IC	811	116	926
DIXON	D	24,632	682	25,314
EDWARDS	A	811	-	811
EDWARDS	PM	15,727	1,156	16,884
EVANS	M	6,921	-	6,921
FOX	PJ	10,916	163	11,078
FURSE	AJ	8,216	14	8,230
GAZZARD	TA	3,419	-	3,419
GERRISH	CD	14,039	383	14,422
GILCHRIST	IA	8,137	-	8,137
HAEBERLING	F	22,210	131	22,341
HALE	AD	7,732	-	7,732
HALL	KF	11,108	680	11,788
HANNEY	MC	11,076	617	11,693
HARDMAN	EJ	6,921	184	7,106
HARTLEY	N	23,478	586	24,064
HAWKINS	DJ	1,083	-	1,083
HEDGES	LM	811	-	811
HEDGES	SP	9,468	-	9,468
INKER	AW	1,742	26	1,768
JACKSON	EM	7,812	317	8,129
KEW	LJ	8,927	1,533	10,460
LAMING	DW	6,921	-	6,921
LEES	MJH	7,732	-	7,732
LONGSTAFF	M	14,143	-	14,143
MACRAE	BJ	7,732	-	7,732
MARTIN	DJ	6,921	51	6,973
MCGALL	SA	842	-	842
MCNEIR	M	811	-	811
MOSS	R	14,310	539	14,848
MYERS	P	6,921	-	6,921
NICOL	D	10,767	269	11,036
ORGAN	BS	7,732	-	7,732
PARADISE	CA	1,183	152	1,336
PLAYER	J	6,921	-	6,921
PRITCHARD	VL	17,487	1,869	19,356
RIGBY	A	8,658	-	8,658
ROBERTS	CM	10,663	45	10,708
ROBERTS	N	7,732	-	7,732
ROMERO	UM	9,718	12	9,731
SANDRY	WA	7,752	-	7,752
SIMMONS	B	8,081	50	8,131
SIMMONS	KS	6,921	-	6,921
SPARKS	J	6,921	-	6,921
SPEIRS	DJ	873	-	873
STEEL	SJ	811	90	900
STEVENS	BCD	8,793	210	9,003
SYMONDS	RA	23,478	615	24,092
VEAL	M	8,927	1,152	10,079
VEALE	DJ	6,921	100	7,022
WARD	G	6,921	195	7,117
WARREN	T	8,329	127	8,457
WATT	C	11,076	746	11,822
WHELAN	B	811	-	811
WHITTOCK	MJ	811	27	837
WILLCOX	SJ	811	107	918
WOOD	GJ	1,276	-	1,276
Total		773,509	21,409	794,917

NOTES TO MAIN FINANCIAL STATEMENTS

30 OFFICER REMUNERATION

Senior Officers emoluments-salary of £150,000 or more for the year ending 31 March 2012

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total Remuneration
	£	£	£	£	£
Chief Executive - John Everitt	165,180	1,143	665	23,407	190,395

Senior Officers emoluments-salary between £50,000 and £150,000 per year

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total Remuneration
	£	£	£	£	£
Strategic Director - People & Communities	129,699	2,331	793	22,697	155,520
Strategic Director of Resources	113,490	986	325	19,861	134,662
Strategic Director for Service Delivery	113,490	2,141	279	19,861	135,771
Monitoring Officer & Divisional Director	97,275	-	963	17,023	115,261
Divisional Director - Finance	97,275	26	193	17,023	114,517

The Strategic Director for Development & Major Projects is not an employee of the council.

Senior Officers emoluments-salary of £150,000 or more for the year ending 31 March 2011

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total Remuneration
	£	£	£	£	£
Chief Executive - John Everitt	178,338	1,676	963	31,209	212,186

Senior Officers emoluments-salary between £50,000 and £150,000 per year

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total Remuneration
	£	£	£	£	£
Strategic Director Children's Services	129,699	2,167	963	22,697	155,526
Strategic Director Support Services	113,490	390	300	19,861	134,041
Strategic Director Service Delivery	112,589	1,747	1,201	19,861	135,398
Council Solicitor	97,275		963	17,023	115,261
Divisional Director - Finance	97,049		4,375	16,984	118,408

The Benefits In Kind for the Divisional Director - Finance includes one-off relocation allowance.

NOTES TO MAIN FINANCIAL STATEMENTS

31 EMPLOYEES EMOLUMENTS

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2011/12	2011/12	2011/12	2010/11	2010/11	2010/11
	Teachers	Others	Total	Teachers	Others	Total
£50,000 - £54,999	28	28	56	37	30	67
£55,000 - £59,999	18	6	24	20	11	31
£60,000 - £64,999	14	4	18	16	6	22
£65,000 - £69,999	4	1	5	3	3	6
£70,000 - £74,999	-	7	7	2	7	9
£75,000 - £79,999	1	3	4	-	8	8
£80,000 - £84,999	2	4	6	6	1	7
£85,000 - £89,999	2	6	8	1	7	8
£90,000 - £94,999	-	1	1	1	1	2
£95,000 - £99,999	-	6	6	-	7	7
£100,000 - £104,999	-	2	2	-	-	-
£105,000 - £109,999	1	-	1	-	-	-
£110,000 - £114,999	-	2	2	-	2	2
£115,000 - £119,999	-	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-	-
£125,000 - £129,999	-	1	1	-	-	-
£130,000 - £134,999	-	1	1	-	2	2
£135,000 - £139,999	-	-	-	-	-	-
£140,000 - £144,999	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-
£155,000 - £159,999	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	-	-
£165,000 - £169,999	-	1	1	-	-	-
£170,000 - £174,999	-	-	-	-	-	-
£175,000 - £179,999	-	-	-	-	1	1
	70	73	143	86	86	172

The 2011/12 totals include 8 staff who would not have been included in the note if it were not for one-off severance payments. This included 2 in the Teacher category and 6 in the Others category.

The list above includes Senior Officers listed separately in note 29.

32 EXIT PACKAGES

The Authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £1.3m. This amount recognises the on-going impact of the financial challenge across the Council as it seeks to deliver the savings required to balance its budget.

The number of exit packages, split between compulsory redundancies and other departures, and the total cost per band, are set out below:

Exit Package Cost Band (incl. Special Payments)	2011/12	2011/12	2011/12	2010/11	2010/11	2010/11
	Number of	Number of	Total	Number of	Number of	Total
	Compulsory Redund'cies	Other Exits Agreed	Cost £	Compulsory Redund'cies	Other Exits Agreed	Cost £
£0 - £20,000	7	26	217,616	34	50	671,832
£20,001 - £40,000	2	7	254,457	12	19	899,220
£40,001 - £60,000	-	7	352,265	2	11	606,229
£60,001 - £80,000	3	2	371,596	-	4	281,954
£80,001 - £100,000	-	-	0	-	1	85,542
£100,001 - £150,000	-	1	107,142	-	2	222,284
	12	43	1,303,076	48	87	2,767,061

NOTES TO MAIN FINANCIAL STATEMENTS

33 AUDIT & INSPECTION FEES

The Council has incurred the following fees payable to its auditors, the Audit Commission	2011/12 £'000	2010/11 £'000
Fees payable with regard to external audit services	252	277
Fees payable for statutory inspection		-
Fees payable for the certification of grant claims and returns	44	53
Fees payable for objections to previous years accounts	11	3
National Fraud Initiative		4
	307	337

34 DEDICATED SCHOOLS GRANT

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

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

	2011/12 Central Expenditure £'000	2011/12 Individual Schools Budget £'000	2011/12 Total £'000	2010/11 Total £'000
Final DSG for year			98,927	99,112
<i>plus</i> Brought forward from previous year	2,201	(154)	2,047	958
<i>less</i> Carry forward into future year agreed in advance				
Final budget distribution	15,668	85,306	100,974	100,070
<i>less</i> Actual central expenditure	11,011		11,011	7,014
<i>less</i> Actual ISG deployed to schools	-	85,604	85,604	91,009
<i>plus</i> Local authority contribution for year	31		31	
Carry forward	4,688	(298)	4,390	2,047

35 GRANT INCOME

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

	2011/12 £'000	2010/11 £'000
Credited to Taxation and Non Specific Grant Income	£'000	£'000
Council Tax Income	79,285	78,632
Area based grant	-	10,301
Revenue Support grant	10,280	5,270
Contribution from the Non-Domestic Rate Pool	33,259	36,289
Local Services Support Grant	669	-
Council Tax Freeze Grant	1,936	-
Department for Education	4,531	5,031
DCLG	-	59
Home Office	-	-
Department of Transport	5,484	2,181
DEFRA	-	120
Department of Health	147	144
HCA	1,880	744
Other	1,178	1,898
Third party contributions	153	828
Section 106 Developer Contributions	506	-
	138,288	144,407

NOTES TO MAIN FINANCIAL STATEMENTS

Credited to Services		
Education Standards Fund	600	5,458
Schools Standard Grant (part of DSG 2011/12 onwards)	-	5,251
Learning & Skills Council / Young People's Learning Agency	4,800	9,540
Early years grant	-	4,379
Early Intervention Grant	5,800	-
Concessionary fares grant (part of Revenue Support Grant from 2011/12)	-	1,205
Mandatory rent allowances	48,148	45,714
Council tax benefit	10,757	10,616
English Partnerships / Homes & Communities Agency	2,158	3,025
Department of Health	-	-
National Treatment Agency	1,303	-
Department of Transport	1,073	367
DCLG	495	1,056
New Homes Bonus Grant	710	-
Department of Education	1,319	5,829
Other	1,767	490
Third party contributions	313	318
Section 106 Developer Contributions	259	
	79,502	93,248

In addition to this expenditure, the accountable body also acts as agent for capital grant from DCLG for the Growth Point Fund. In 2011/12, capital grant of £1.045 million was received and distributed to the individual Unitary Authorities to fund specific projects.

36 RELATED PARTIES

The Authority is required to disclose material transactions with related parties - 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 Authority.

Central Government

Central Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 26 on reporting for resources allocation decisions.

Pension Fund

Details of Contributions to the Avon Pension Fund are shown in note 41. As administering body to the Fund, the Council charges the fund for the direct costs - £1,254,434 (£1,251,683 10/11) and support services - £425,908 (£423,236 10/11) provided. Five B&NES Councillors are voting members on the Pensions Committee.

Members & Officers

Four Members of the Council are members of the Avon Fire Authority.

Three Members are members of the Bath Recreation Ground Trust.

The Director of Children's Services is a Director on the Connexions Company, also one Member of the Council is a non-executive director (see note 44 Controlled Companies).

The Council made payments of £239,303 during 2011/12 (£243,481 in 2010/11) to Hammond Project Management Services Limited for the services of the Strategic Director of Development and Major Projects. John Betty is the sole Director and sole employee of Hammond Management Project Services Limited. This arrangement was provided under a tendered contractual agreement for the provision of management services to oversee the Council's major projects at Directorship level.

The Council made payments of £446,289 (£883,001 10/11) to voluntary bodies and organisations where members have an interest (either due to a Council nomination or in an independent capacity).

The Council is in partnership with the Primary Care Trust (PCT) to commission adult social care, health and housing services. Community Health & Social Care services, previously delivered through the partnership between the Council and PCT, transferred to Sirona care & health CIC (Community Interest Company) in October 2011 under a "tri-partite" contract between the Council, PCT and Sirona, with the Council acting as lead commissioner for this contract. Relevant elements of the Council's budget are reported to the Health & Wellbeing Board. The Board is Chaired by the Cabinet Member for Wellbeing and the Council Chief Executive and Councillors are on the Board.

NOTES TO MAIN FINANCIAL STATEMENTS

Norton Radstock Regeneration Ltd.

The Council is a partner in a major project to re-develop land in Midsomer Norton & Radstock under the Government's Single Regeneration Budget (SRB) scheme. During 2000-01, a not for profit company, Norton Radstock Regeneration Ltd. was set up to develop the scheme.

The Council is a 'related party' of the regeneration company. However since less than 10% of the company's directors are Council nominees, the company is not an 'influenced' one under capital control regulations.

37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

Capital expenditure on fixed assets was as follows:

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Adult Social Services Facilities	119	268	132
School Improvements	5,259	11,170	7,629
Highways/Road Safety & Bridge Strengthening	8,353	9,663	11,290
Capitalised Buildings Maintenance	6,187	1,289	1,321
Western Riverside Project	1,784	744	543
Other	15,409	11,240	6,363
	37,111	34,374	27,278

Capital Expenditure was categorised as follows:

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Property, plant and equipment	20,317	33,542	26,500
Investment properties	5,907	90	204
Intangible assets	-	742	574
Assets under construction	10,883		
Non Current Assets held for sale	4		
Revenue expenditure funded from capital under statute	8,727	17,152	46,628
Total expenditure	45,838	51,526	73,906

Sources of finance:

Capital Receipts	2,545	2,383	4,657
Grants	13,435	25,214	62,060
Supported Borrowing	-	4,464	6,003
Unsupported Borrowing	26,827	16,729	-
3rd Party Contributions	574	704	589
Revenue	1,692	1,768	597
S.106 contributions	765	264	
Total financing	45,838	51,526	73,906

NOTES TO MAIN FINANCIAL STATEMENTS

Capital Financing Requirement

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Opening Capital Financing Requirement	112,659	93,612	89,595
Capital Investment	45,838	51,526	73,906
Sources of Finance:			
Capital Receipts	(2,545)	(2,383)	(4,657)
Government grants & other contributions	(14,774)	(26,182)	(63,246)
Sums set aside from revenue (including MRP)	(5,044)	(3,914)	(1,986)
Closing Capital Financing Requirement	136,134	112,659	93,612
Increase in underlying need to borrow supported by Government financial assistance	-	4,464	6,003
Increase in underlying need to borrow unsupported by Government financial assistance	26,827	16,729	
Less minimum revenue provision repayment	(3,352)	(2,146)	(1,986)
Increase / (decrease) in Capital Financing Requirement	23,475	19,047	4,017

38 LEASES

Authority as Lessee

Finance Leases

The Authority has acquired a number of buildings and vehicles, plant and equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Other Land & Buildings	2,964	3,077	3,196
Vehicles, Plant & Equipment	224	338	519
	3,188	3,415	3,715

No deferred liability is disclosed in the Council's Balance Sheet for Other Land & Buildings as these properties are subject to peppercorn rents only. The deferred liability for Vehicles, Plant and Equipment is not material.

Operating Leases

The Council uses vehicles, computers and other equipment financed under the terms of various operating leases. The lease rentals paid in 2011/12 were £1,720,863 (£1,741,354 in 2010/11).

The future payments required under these leases are £1,135,999 comprising the following elements:

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Not later than one year	525	452	1,209
Later than one year and not later than five years	608	1,601	2,874
Later than five years	3	187	459
	1,136	2,240	4,542

The Council holds property leases which are operating leases. The amount paid in rent for 2011/12 was £833,390 (2010/11 in £1,134,779)

The future commitments required under these leases are £5,347,265 comprising the following elements:

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Not later than one year	753	752	201
Later than one year and not later than five years	1,829	1,478	271
Later than five years	2,765	-	685
	5,347	2,230	1,157

In practice, although some leases are due for renewal, the Council expects to continue using many of its leased buildings beyond the renewal dates.

NOTES TO MAIN FINANCIAL STATEMENTS

Authority as Lessor

Finance Leases

The authority has leased out a number of commercial properties on finance leases.

Operating Leases

The Authority leases out a large number of investment properties.

Rental income receivable from operating property leases totalled £13,621,836 (£13,207,181 in 2010/11).

The net book value of these properties is £238,857,944 (£219,233,419 in 2010/11).

The future rental income receivable under non-cancellable operating leases in the aggregate and for each of the following periods:

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Not later than one year	2,769	2,423	170
Later than one year and not later than five years	4,044	3,869	4,913
Later than five years	6,809	6,915	7,579
	<u>13,622</u>	<u>13,207</u>	<u>12,662</u>

39 IMPAIRMENT LOSSES

There were no losses due to impairment of assets.

40 PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTIONS SCHEMES

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

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes.

In 2011/12 the council paid £5.580m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £7.378m and 14.1%. There were no contributions remaining payable at the year end.

The Authority 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 detailed in Note 41.

NOTES TO MAIN FINANCIAL STATEMENTS

41 PARTICIPATION IN PENSIONS SCHEMES

The Council offers retirement benefits as part of the terms and conditions of employment. Whilst these benefits are not payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two pension schemes:

- The Teachers' Pension Scheme, as detailed in Note 40, and,
- The Local Government Pension Scheme via the Avon Pension Fund. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into the fund which are calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions relating to retirement benefits

We 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 we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current Service Costs	10,248	12,640		
Past Service Cost	-	(30,316)	-	(1,287)
Settlement and Curtailment	(2,995)	1,373	762	197
Financing and Investment Income & Expenditure				
Interest cost	26,610	28,223	1,150	1,290
Expected return on scheme assets	(22,767)	(21,662)		
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	11,096	(9,742)	1,912	200
Other Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services				
Actuarial gains and losses	17,635	(13,968)	1,198	(809)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	28,731	(23,710)	3,110	(609)
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	11,096	(9,742)	1,912	200
Actual amount charged against General Fund Balance for pensions in the year:	13,260	14,277		
Employers' contributions payable to scheme	(6,872)	(1,717)	762	197
Retirement benefits payable to pensioners			23,625	22,079

NOTES TO MAIN FINANCIAL STATEMENTS

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		Discretionary Benefits	
	2011/12	2010/11	2011/12	2010/11
	£'000	£'000	£'000	£'000
Opening Balance at 1 April	489,340	503,953	22,079	24,223
Current service cost	10,248	12,640		
Interest cost	26,610	28,223	1,150	1,290
Contributions by scheme participants	4,013	4,706	(1,564)	(1,535)
Actuarial gains and losses	17,635	(13,968)	1,198	(809)
Benefits paid	(18,789)	(17,271)		
Past service costs	(4,950)	1,373	762	197
Past service gain	-	(30,316)	-	(1,287)
Closing Balance at 31 March	524,107	489,340	23,625	22,079

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2011/12	2010/11
	£'000	£'000
Opening Balance at 1 April	357,115	334,613
Expected rate of return	22,767	21,662
Actuarial gains and losses	(13,953)	(872)
Employer contributions	13,260	14,277
Contributions by scheme participants	4,013	4,706
Benefits paid	(20,744)	(17,271)
Closing Balance at 31 March	362,458	357,115

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £8.815m (2010/11 £25.429m).

Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
	*					
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:						
Local Government Pension Scheme	(428,393)	(428,051)	(366,836)	(503,953)	(489,340)	(524,107)
Discretionary Benefits	(21,172)	(23,748)	(20,448)	(24,223)	(22,079)	(23,625)
Fair value of assets in the Local Government Pension Scheme	309,053	297,164	246,148	334,613	357,115	362,458
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(119,340)	(130,887)	(120,688)	(169,340)	(132,225)	(161,649)
Discretionary Benefits	(21,172)	(23,748)	(20,448)	(24,223)	(22,079)	(23,625)
Total	(140,512)	(154,635)	(141,136)	(193,563)	(154,304)	(185,274)

* the authority has elected not to restate fair value of scheme assets for 2006/07

NOTES TO MAIN FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £185m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- > the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary
- > finance is only required to be raised to cover teachers' pensions when the pensions are actually paid.

Employer contributions to the Pension Fund in 2012/13 are estimated to be £13.2m. Estimated contributions to the Discretionary Benefits scheme are £1.7m

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both scheme liabilities have been assessed by an independent firm of actuaries Mercer Human Resource Consulting Ltd, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Avon Pension Fund		Discretionary Benefits Scheme	
	2011/12	2010/11	2011/12	2010/11
Long term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.5%		
Government Bonds	3.1%	4.4%		
Other Bonds	4.1%	5.1%		
Other	13.5%	14.5%		
Mortality assumptions :				
Longevity at 65 for current pensioners:				
Men	22.8	22.7	22.8	22.1
Women	25.7	25.6	25.7	24.7
Longevity at 65 for future pensioners:				
Men	25.1	25		
Women	28.1	28		
Rate of inflation	2.5%	3.4%	2.3%	3.3%
Rate of increase in salaries	4.0%	4.4%		
Rate of increase in pensions	2.5%	2.9%	2.3%	2.8%
Proportion of employees opting to take a commuted lump sum	50%	50%		
Rate for discounting scheme liabilities	4.9%	5.5%	4.6%	5.4%

Constitution of the fair value of scheme assets

The Discretionary Benefits Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Assets Held :	Assets at 31 March 2012		Assets at 31 March 2011	
	£'000	%	£'000	%
Equity investments	211,313	58.3%	223,554	62.6%
Government Bonds	46,757	12.9%	46,425	13.0%
Other Bonds	42,770	11.8%	28,212	7.9%
Other	61,618	17.0%	58,924	16.5%
Total	362,458	100%	357,115	100.0%

NOTES TO MAIN FINANCIAL STATEMENTS

History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
Difference between the expected and actual return on scheme assets:						
amount (£,000)	(13,953)	(872)	(70,093)	(73,037)	(26,760)	(1,013)
percentage	3.8	0.2	20.9	29.7	9.0	0.3
Experience gains and losses on liabilities						
amount (£,000)	-	16,835	113,936	88,712	43,234	(26,200)
percentage	0.0	3.4	22.5	24.2	10.1	6.1
	(13,953)	15,963	43,843	15,675	16,474	(27,213)

42 AVON COUNTY COUNCIL DEBT

Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment. The amount of residual debt outstanding at 31 March 2012 apportioned to this Council is £15.77m (£16.43m in 2010/11). The debt has now been included in the Council's Balance Sheet as a deferred liability which will reduce each year due to principle repayments.

	31 March 2011	Principal Repaid	31 March 2012
	£000	£000	£000
Ex- Avon loan debt principal repayment	16,430	(658)	15,772

43 MINIMUM REVENUE PROVISION (MRP)

Minimum Revenue Provision - Provision for Repayment of External Debt

The net amount charged to revenue in compliance with the statutory requirement to set aside a Minimum Revenue Provision for the repayment of external debt is £3.352m calculated as follows:

	2011/12	2010/11	2009/10
	£000	£000	£000
4% of Capital Financing Requirement (CFR)	3,755	3,663	3,503
Adjustment allowed under Capital Finance Regulations	(1,551)	(1,551)	(1,551)
Provision based on estimated useful life of new assets since 2008	1,148	34	34
Statutory Minimum Revenue Provision (MRP)	3,352	2,146	1,986

The excess of depreciation, impairment and the effect of deferred charges and intangible assets charged to Net Operating Expenditure over the Minimum Revenue Provision is reversed through the Statement of Movement on the the General Fund Balance by an adjustment with the Capital Adjustment Account.

New regulations regarding Minimum Revenue Provision introduced (effective from 31st March 2008), allow local authorities to choose from three calculation methods.

The Council MRP Policy is:

Bath and North East Somerset has elected to make a prudent minimum revenue provision for all new unsupported borrowing from 1st April 2008, based on the estimated useful life of the asset or equal to depreciation as calculated in line with the Statement of Recommended Practice.

For all Government supported borrowing:

- For existing schemes the Council will determine that its MRP is equal to the amount determined in accordance with the former regulations.
- For all new schemes after 1st April 2008 it will calculate MRP based on the estimated useful life of the asset.

When borrowing to construct an asset, the authority will treat the asset life as commencing in the year in which the asset becomes operational.

NOTES TO MAIN FINANCIAL STATEMENTS

44 LANDFILL ALLOWANCE TRADING SCHEME (LATS)

The Landfill Allowance Trading Scheme (LATS) has been accounted for in 2010/11 in accordance with the guidance provided in the LAAP Bulletin 64, February 2006. Accordingly the LATS allowances have been recognised on the Balance Sheet as a current asset, offset by the current liability to DEFRA for landfill usage.

There have been no trades at all through the whole of 2011/12, and therefore the value of LATS has been revalued at zero for the whole year.

45 TRUST FUNDS

The Council is the trustee of a small number of Trusts which were inherited from the predecessor authorities. These include bequests, schools prize and scholarship funds and grave maintenance.

The only Trusts with material assets are:

	2011/12 Exp. £'s	2011/12 Income £'s	2011/12 Assets £'s	2011/12 Liabilities £'s
Alice Park Trust		(1,022)	138,486 *	
Sydney Garden Fund	4,225	(116)	21,112	
Bath Recreation Ground Trust		(171)	not separately valued	
Total	4,225	(1,309)	159,598	0

* Includes external investments valued at £13,279.

	2010/11 Exp. £'s	2010/11 Income £'s	2010/11 Assets £'s	2010/11 Liabilities £'s
Alice Park Trust		(711)	142,102 *	
Sydney Garden Fund	11,975	(155)	25,066	
Bath Recreation Ground Trust		(208)	not separately valued	
Total	11,975	(1,074)	167,168	0

* Includes external investments valued at £12,052.

The purpose of these funds is to provide for the maintenance of specific parks or recreation grounds in Bath.

Bath Recreation Ground Trust

The Council has included the leisure centre in its balance sheet even though it is built on land owned by the charity. The financial regulations determine that as the Council is bearing the risks and rewards of ownership, in accordance with FRS5 it should stay on the Council's balance sheet. The Charity Commission has agreed to a lease being signed to allow the council to remain on the recreation ground land for the period of the life of the building but the lease has not been signed yet.

Other Trust Funds of which B&NES is the sole trustee, relate to assets held:

	2011/12 Exp. £'s	2011/12 Income £'s	2011/12 Assets £'s	2011/12 Liabilities £'s
Educational Funds	3,971	(228)	45,737	
Graves/memorial maintenance		(74)	14,851	
Parks & Gardens maintenance	1,888	(2,832)	8,321	
Client accounts			187,917	
Twinning Fund	130	(130)	26,130	
Bequests	7,225	(5,735)	41,427	
Total	13,214	(8,999)	324,383	0

	2010/11 Exp. £'s	2010/11 Income £'s	2010/11 Assets £'s	2010/11 Liabilities £'s
Educational Funds	350	(587)	49,480	
Graves/memorial maintenance		(74)	14,777	
Parks & Gardens maintenance	2,405	(3,715)	7,377	
Client accounts			187,917	
Twinning Fund	130	(130)	26,130	
Bequests		(214)	42,917	
Total	2,885	(4,720)	328,598	0

NOTES TO MAIN FINANCIAL STATEMENTS

46 CONTROLLED COMPANIES

Bath Tourism Plus Ltd

During 2003/04 the Council set up the above as a company to provide tourism information and marketing services, in partnership with the private sector. The company is limited by guarantee. The Council and Initiative have equal rights to appoint directors. The directors have day to day control over the management of the company.

There were no acquisition or merger costs arising.

The Company's un-audited accounts show a turnover of £2,134,529, a net loss of £3,510 and net current assets of £117,143 (turnover of £2,106,662, a net profit of £79,010 and net current assets of £145,301 in 2010/11). The turnover and assets held by this company are not considered significant enough to produce Group Accounts.

A copy of the accounts can be obtained from Bath Tourism Plus at Abbey Chambers, Abbey Churchyard, Bath.

Connexions West of England

On 1 September 2007 responsibility for Connexions West of England was transferred jointly to Bath & North East Somerset Council, Bristol City Council, South Gloucestershire Council and North Somerset Council. The company provides services to 13 to 19 year olds, including career education and guidance, supporting post 16 transition for young people with learning disabilities and encouraging participation in education and training.

The company is limited by guarantee. The Council does not profit from the company's activities and has no rights to its' assets. The turnover and assets of this company are not considered material and therefore group accounts have not been prepared.

Future Bath Plus - City Centre Management Company

Futures Bath Plus is a company set up by the council in partnership with the private sector to promote the cultural interests of Bath, including arts and leisure.

The company is limited by guarantee. The Council and GW Business West have equal rights to appoint directors. The directors have day to day control over the management of the company.

The turnover and assets of this company are not considered material and therefore group accounts have not been prepared.

47 West of England Partnership

The four Unitary Authorities - Bath & North East Somerset Council, Bristol City Council, North Somerset Council and South Gloucestershire Council - continue to work together and co-ordinate high level planning to improve the quality of life of their residents and provide for a growing population. This joint work focuses on activities that are better planned at the West of England level, rather than at the level of the individual council areas.

The Partnership is not a partnership in law, nor a formal decision making body, and does not have the power to bind the four unitaries.

The Partnership's focus is evolving with the creation of the West of England Local Enterprise Partnership (LEP) promoting economic growth and prosperity through its key themes of Place, People and Business.

The Place theme creates the conditions for economic growth by taking an integrated approach to infrastructure and development; prioritising investment in infrastructure, overcoming barriers to development, coordinating strategic housing delivery and enabling or preparing for growth in homes and / or jobs. This theme reports through the Planning, Housing and Communities Board, and the Joint Transport Executive Committee. The expenditure illustrated below includes LEP set-up costs.

The People theme facilitates the supply of a readily available workforce with the skills that businesses need and reports to the Skills & Competitiveness Board.

The Business theme is pursued by the private sector partners.

NOTES TO MAIN FINANCIAL STATEMENTS

The table below reflects the total revenue expenditure incurred:

West of England Pooled Budget

	Places £'000	Skills £'000	TOTAL £'000
Expenditure	1,048	276	1,324
Funding			
Contributions from UAs core charge (1/4 Each)	532	-	532
UA Contributions for Projects	45	-	45
Contribution - Learning & Skills	-	148	148
Grant - Growth Points	349	-	349
Grant - European Social Fund	-	114	114
Grant - Other	97	14	111
Other Income	25	-	25
Total funding	1,048	276	1,324

Bath and North East Somerset Council is the accountable body for the West of England. The reporting approach is that total expenditure is not shown in the Financial Statements; rather the following accounting treatment is adopted:-

- i) West of England expenditure is incurred as an Agent, acting as an intermediary on behalf of the 4 Unitary Authorities. Each authority's accounts will reflect its own contribution towards expenditure.
- ii) Where the Partnership office does act as principal, such as where it has received grant funding directly, this is on behalf of all authorities but the share for any individual authority is not considered material to show.

In addition, B&NES is the accountable body acting as agent for some regional central government grants. Sums are distributed to specific projects as various criteria are satisfied, with the receiving authority then treating as grant in their own accounts. The balance of funds not distributed is therefore treated as a creditor in B&NES accounts; these sums are either owed to Unitary Authorities in future or will be owed back to government if not used.

Grant Award	Grant Received £'000	Grant Distributed £'000	Fund b/f £'000	Interest £'000	Funds c/f £'000
Department of Communities and Local Government (DCLG) - Growth Points Fund	1,257	598	919	52	1,630
Department of Communities and Local Government (DCLG) - Growing Places Fund – "revolving investment fund"	17,107	0	0	0	17,107
Department of Business, Innovation and Skills (BIS) - Regional Growth Fund – "revolving investment fund"	39,831	0	0	0	39,831
	58,196	598	919	52	58,568

48 CONTINGENT LIABILITIES

A report to the Council's Strategic Directors Group identified the potential significant liabilities arising from appeals or objections to the Council's actions. There are a small number of such cases. The most significant are:

Transfer of Housing Stock - in transferring the Council's housing stock to Somer Community Housing Trust, the Council made a number of warranties relating to the properties and land transferred. To date there is no known breach of the warranties made, therefore the Council expects there will be no transfer of economic benefits.

Leisure Trust - the Council has transferred its Leisure functions to an external company. As is usual with this type of Private/Public agreement, the Council would be liable for costs should it breach its obligations or warranties. There is no known breach of these warranties.

Bath Recreation Ground Trust - This is a charitable trust where Bath & North East Somerset Council is the Trustee. The Council as Trustee is ultimately responsible for any liabilities or deficits incurred by the Trust.

Section 117 Aftercare Services - In 1999 the High Court decided that people receiving section 117 aftercare services under the Mental Health Act should not be charged for Community Care. As a result of the High Court ruling the Council has received claims for reimbursement of charges in the region of £205,000. The Council's best estimate of total claims is £393,000 with a balance of £188,000 set aside.

Social Care for Children - The outcome of a social care court case could result in additional legal fees for the Council. The outcome of the case has been decided but the extent of fees and charges is still to be determined.

There are three companies which are limited by guarantee by the Council. The amounts are not material and there is no expectation that any liability will arise.

NOTES TO MAIN FINANCIAL STATEMENTS

49 CONTINGENT ASSETS

There are no contingent assets.

50 EXCEPTIONAL ITEMS

Gain/Loss on Disposal of Non-Current Assets

The loss on disposal of £17.004m as shown in Note 9 Other Operating Expenditure, is mainly due to the transfer at Nil value of schools to Academy status.

51 HERITAGE ASSETS; CHANGE IN ACCOUNTING POLICY

Heritage Assets: Change in Accounting Policy Required by the Code of Practice for Local Authority Accounting in the United Kingdom

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies (note 1), the Authority now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the authority were held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies. (See Note 1)

In applying the new accounting policy, the Authority has identified that the assets that were previously held as community assets within property, plant and equipment at £100,000 should now be recognised as heritage assets and measured at £15.5 million with a corresponding increase in the Revaluation Reserve. These assets relate to a proportion of the Museum's collections which were previously recognised in the community assets classification of property, plant and equipment. The Authority will also recognise an additional £2.1 million for the recognition of heritage assets that were not previously recognised in the Balance Sheet. Again this increase is also recognised in the Revaluation Reserve.

The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

* At 1 April 2010 the carrying amount of Heritage Assets is presented at its valuation at £17.5 million.

The element that was previously recognised in property, plant and equipment has been reclassified and written down by £100,000. The revaluation reserve has increased by £17.4 million.

* The fully restated 1 April 2010 Balance Sheet is provided on [page 10](#). The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010	Restatement	Restatement required to opening balances as at 1 April 2010
	£'000	£'000	£'000
Property, Plant & Equipment - Community Assets	3,183	3,083	(100)
Heritage Assets	-	17,484	17,484
Long Term Assets	587,852	605,236	17,384
Total Net Assets	329,656	347,040	17,384
Unusable Reserves	283,844	301,228	17,384
Net Worth/Total Reserves	329,656	347,040	17,384

Comprehensive Income and Expenditure Statement

There has been no restatement of any of the lines of the Comprehensive Income and Expenditure Statement

NOTES TO MAIN FINANCIAL STATEMENTS

Movement in Reserves Statement - Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As previously stated 31-Mar-11 £'000	As restated 31-Mar-11 £'000	Restatement 2011 £'000
Balance as at the end of the previous reporting period - 31st March 2010	283,844	301,262	17,418
Surplus or Deficit on the Provision of Services	-		
Other Comprehensive Income & Expenditure	64,977	64,977	-
Adjustments between accounting basis and the funding basis under regulations	(31,297)	(13,879)	17,418
Increase/(decrease) in year	33,680	51,098	17,418
Balance at end of the current reporting period 31 Mar 2011	317,524	334,942	17,418
Increase/(decrease) in year			

The resulting restated Balance Sheet for 31 March 2011 is provided on [page 10](#). The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet 31 March 2011

	As previously stated 31-Mar-11 £'000	As restated 31-Mar-11 £'000	Restatement 2011 £'000
Property, Plant & Equipment - Community Assets	3,127	3,027	(100)
Heritage Assets	-	17,518	17,518
Long Term Assets	600,031	617,449	17,418
Total Net Assets	366,611	384,029	17,418
Unusable Reserves	317,524	334,942	17,418
Net Worth/Total Reserves	366,611	384,029	17,418

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £17.5 million on the Balance Sheet resulting in an increase to the Revaluation Reserve of £17.4 Million and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost in community assets (a sub-classification of property, plant and equipment) of £17.4 million.

NOTES TO MAIN FINANCIAL STATEMENTS

52 HERITAGE ASSETS; FURTHER INFORMATION ON THE COLLECTIONS

Roman Baths Museum

The Roman Baths Museum holds a number of collections principally of an archaeological nature but also include a diverse local history collection and a major collection of coins which together tell the story of 7,000 years of human activity around the hot springs of Bath. The collections have been designated as being of outstanding national significance.

Archaeology: the prehistoric collections include flint and stone objects, mostly from the downs to the north and south of Bath. There is also bronze age metalwork and small quantities of prehistoric pottery, human and faunal remains including objects from the iron age hillfort at Little Solsbury.

In the Roman collection, the bulk of materials relate to the Baths and Temple site in which the museum is situated, consisting of building blocks, architectural fragments, sculptural reliefs, inscriptions, tile and lead and bronze plumbing fittings. There are similar objects from elsewhere in Bath. From elsewhere in the District there are objects from the Roman Villas at Combe Hay, Somerdale Roman House and Medieval Abbey site which is managed locally by the Keynsham Heritage Trust.

The museum has been approved by English Heritage for the deposition of excavation material and the collections are added to continually through receipt of excavation material as well as the occasional stray find. The museum will only normally collect within the boundaries of Bath & North East Somerset.

Numismatics: There is a strong collection of Roman coins of which the most important are those excavated from the King's Spring. There are also coins from the Saxon mint at Bath as well as a representative collection of English coinage from the Saxon period to the 20th century. The collection also includes miscellaneous foreign coins, commemorative medals, jettons and reckoning counters and a comprehensive collection of 17th, 18th and 19th century tokens, tickets, inn checks and bank notes from Bath and north eastern Somerset.

The museum will continue to develop its collection of locally associated objects.

Local History: These collections consist principally of objects relating to the city and immediate environs of Bath, including a significant and substantial collection of old photographs, postcards and glass negatives.

The museum will continue to take a leading role in promoting the acquisition of objects of local and social historical significance.

The collections are valued for insurance purposes. Valuations are carried out in the main by the museums curator, where this is not possible advice is sought from a commercial source.

Bath Record Office

Bath is the only city in the UK to be designated as a UNESCO world heritage site, selected for its 18th century townscape, built around the ancient thermal spa. The archive collections of the Record Office are exceptional for their quality and completeness in documenting the transition from medieval market town to fashionable Georgian resort, preserved today as one of Britain's top visitor destinations.

The wide-ranging subject matter touches on almost every aspect of life in the developing city throughout the last 400 years including records of parishes, schools, crime and punishment, hospitals and medicine, charities, societies, commerce and entertainment. The role played by the Corporation of Bath as a major property developer, from the 17th century to the present is represented by an outstanding collection of title deeds, complemented by major collections from local solicitors. Since the creation of the Record Office in 1967 many substantial and historically important archives collections have been received from private sources.

The Bath Record Office collection will be developed through the acquisition of archives and records from within the Bath & North East Somerset area and may encompass records in any form including manuscripts, photographs, pictures, film and all communication media.

Items from the records office are not kept on display but access to the material can be arranged by appointment.

The collections are valued for insurance purposes. Valuations are carried out in the main by the records manager, where this is not possible advice is sought from a commercial source.

NOTES TO MAIN FINANCIAL STATEMENTS

Museum of Costume

The museum is one of the largest and most comprehensive collections of fashionable dress and associated material in this country and contains approximately 60,000 objects. The collection has been designated as one of outstanding national significance.

The collection includes items of fashionable dress and accessories to dress for men, women and children from the late 16th century to the present day including day and evening dress, separate garments such as blouses, skirts, shirts and trousers, underwear and outerwear, as well as fashion accessories such as hats, shoes, gloves, parasols, fans and costume jewellery. The collection also includes works on paper associated with fashionable dress including fashion magazines, fashion photographs and drawings, fashion plates, knitting and dressmaking patterns, historic costume books, trade and designers' archives and costume historians' papers.

The museums acquisition objectives break down into three areas: to fill the gaps in the collection of fashionable dress; to build on strengths in the collection and to ensure that the collection is up to date.

The collections are valued for insurance purposes. Valuations are carried out in the main by the museums curator, where this is not possible advice is sought from a commercial source.

Victoria Art Gallery

The Victoria Art Gallery's collections of fine and decorative art date from the 16th century to the present day. To a significant extent they tell the story of art in the city of Bath and the surrounding area. Most of the 15,350 items in the collection were acquired by way of gift and bequest.

Fine Art: the bulk of the collection consists of British drawings, paintings, watercolours and miniatures and silhouettes from the 17th to the 21st century. There are also small collections of sculpture and of European works of art. Of particular significance are the collections of prints, drawings and watercolours associated with Georgian Bath. The gallery also holds a large collection of portraits produced by artists who worked in the local area including Thomas Gainsborough and Sir Thomas Lawrence.

Decorative Art: the collections include porcelain, pottery and glass dating from the 17th to the 19th century. The bulk of this material is British and the collections of Delftware and of English drinking glasses are of particular note.

The gallery seeks to build on and improve its collection with the acquisition of items which complement existing holdings.

The collections are valued for insurance purposes. Valuations are carried out in the main by the museums curator, where this is not possible advice is sought from a commercial source.

Library Service

The collection of library service heritage assets is defined as items available for consultation but not available for loan either due to their local cultural or historical significance, or because they were bequeathed to the library by local citizens.

The collection is divided into 4 categories:

Reserve & reference stock: this includes approximately 44,400 items of books, journals, pamphlets and newspapers, including bound sheet music and loose engravings.

Open access reference: containing around 11,200 catalogued books and photos, slides and 10,000 clippings envelopes.

Special store: this is stock of a non-standard item due to either its format e.g.. autographed letters, manuscripts etc. or its value such as rare books and fine bindings.

Local store: stock that is local or family history oriented, or is a non-standard item due to its format such as maps, valentine's cards or photographs.

The latest valuation was carried out in 2007 by Bonham's for insurance purpose.

The acquisition and disposal policy for heritage assets is reviewed every five years and any changes notified to the South West Museums, Libraries and Archives Council. The Council's Museums or Record Office is guided by the most recent edition of the Code of Practice on Archives for Museums & Galleries in the UK.

Exhibitions change frequently with many objects going on and off display during the course of a year. Any objects not currently on display at any site can be viewed by appointment, including those held at off site storage facilities.

Title to the collection of civic regalia and silver of the former Bath City Council was transferred to the Charter Trustees on local government re-organisation in 1996 and is therefore not included in the Council's balance sheet.

COLLECTION FUND 2011/12

The Collection Fund is an agents statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	Notes	£'000	2011/12 £'000	2010/11 £'000
INCOME				
Council Tax	2	(84,283)		(83,780)
Transfers from the General Fund				
Council Tax Benefit	2	(10,555)		(10,536)
Income collectable from business ratepayers	3	(58,730)		(53,308)
			(153,568)	(147,624)
EXPENDITURE				
Precepts and demands				
Bath & North East Somerset		79,448		78,762
Avon & Somerset Police	1	10,825		10,734
Avon Fire	1	3,890		3,857
			94,163	93,353
Business rate				
Payment to National Pool		58,460		52,995
Interest on repayments		6		52
Cost of Collection Allowance		264		261
			58,730	53,308
Bad and doubtful debts				
Write offs			210	255
Provisions increases / (decreases)			(42)	(142)
Contributions				
Contribution towards previous year's estimated Collection Fund surplus			700	1,000
			153,761	147,774
Surplus/(Deficit) for the Year			(193)	(150)
Surplus/(Deficit) Brought Forward as at 1 April			999	1,149
Surplus as at 31 March	5		806	999
Less surplus to be refunded to Police & Fire Authorities			(126)	(156)
Bath & North East Somerset Surplus			680	843

NOTES TO THE COLLECTION FUND

1 The Collection Fund

The Collection Fund Account is a statutory fund for the collection and distribution of amounts due in respect of Council Tax and National Non- Domestic Rates (NNDR). The year end surplus on the Fund is due to the Council as 'billing authority' and the major precepting authorities, Avon & Somerset Police Authority and Avon Fire Authority.

	Precept	Surplus	Precept	Surplus
	2011/12	2011/12	2010/11	2010/11
	£'000	£'000	£'000	£'000
The Avon & Somerset Police Authority	10,825	80	10,734	113
The Avon Fire Authority	3,890	29	3,857	41

2 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Bath & North East Somerset Council, the Police Authority and the Fire Authority for the forthcoming year and dividing this by the Council Tax base adjusted for discounts (64,422.9 for 2011/12). This amount of Council Tax for a Band D property £1,461.63 (£1,461.33 - 2010/11) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax bills were based on the following proportions from Bands A to H:

	Discounted Properties	Ratio to Band D	Band D Equivalents
Band A - Disabled Relief	12.25	5/9	6.8
Band A	5,763.50	6/9	3,842.3
Band B	15,232.00	7/9	11,847.1
Band C	16,076.50	8/9	14,290.2
Band D	11,488.75	9/9	11,488.8
Band E	7,920.75	11/9	9,680.9
Band F	4,617.00	13/9	6,669.0
Band G	4,086.50	15/9	6,810.8
Band H	322.25	18/9	644.5
Contributions in Lieu			15.4
			65,295.8
Allowance for Doubtful Debts & Appeals			-872.9
Tax Base			<u>64,422.9</u>

The income for 2011/12 is receivable from the following sources:-

	2011/12	2010/11
	£'000	£'000
Billed to Council Tax payers	(84,283)	(83,780)
Council Tax benefits	(10,555)	(10,536)
	<u>(94,838)</u>	<u>(94,316)</u>

NOTES TO THE COLLECTION FUND

3 Income collectable from business ratepayers - National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies a national 'rate' of 42.6 pence in 2011/12 for properties that qualify for Small Business Rate Relief, and 43.3 pence for all others, subject to transitional arrangements. Local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income after reliefs and provisions of £58.730 million for 2011/12 (£53.308 million in 2010/11) resulted from a total rateable value at 31 March 2012 of £167.664 million.

4 Write Offs

During the year, the following Collection Fund debts were written off :

	£'000
Council Tax	210
NNDR	678

These write offs were made against bad debt provisions set up in previous years.

	£'000
The remaining provisions are :	
Council Tax	533
NNDR	749
	<u>1,282</u>

5 Balance of Fund & Distribution

As at 31 March 2012, the balance on the Collection Fund stood at a surplus of £806,243

This credit balance due to the Council, Police and Fire Authority is as follows:

	£'000
Bath & North East Somerset	680
Avon & Somerset Police	92
Avon Fire	34
	<u>806</u>

PENSION FUND ACCOUNTS 2011/12

Statement of Accounts

Introduction

- 1.1 The following comprises the Statement of Accounts for the Avon Pension Fund (The Fund). The accounts cover the financial year from 1 April 2011 to 31 March 2012.
- 1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2011/12 based on International Financial Reporting Standards as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis, except for certain transfer values as described at 'Statement of Accounting Policies' – item 2.5. They do not take account of liabilities to pay pensions and other benefits in the future.
- 1.3 The accounts have been prepared following International Financial Reporting Standards as required by the Code of Practice.
- 1.4 The accounts are set out in the following order:

Statement of Accounting Policies which explains the basis of the figures in the accounts.

Fund Account which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting period and reconciles the movements in the net assets to the Fund Account.

Net Assets Statement which discloses the size and disposition of the net assets of the Fund at the end of the accounting period.

Notes to the Accounts which give supporting details and analysis concerning the contents of the accounts, together with information on the establishment of the Fund, its membership and actuarial position.

1.5 Actuarial Valuations

1.5 As required by the Local Government Pension Scheme Regulations 2008 an actuarial valuation of the Fund was carried out as at 31 March 2010. The market value of the Fund's assets at the valuation date was £2,459 million. The Actuary estimated that the value of the Fund was sufficient to meet 82% of its expected future liabilities (of £3,011m) in respect of service completed to 31 March 2010

- 1.6 The deficit recovery period for the Fund overall is 23 years.

The 2010 actuarial valuation was carried out using the projected unit actuarial method. The main actuarial assumptions, on the

- 1.7 basis of which the employer's contributions are set, are set out below:

	Past Service	Future Service
Rate of Discount	6.85% per annum (pre retirement) 5.7% per annum (post retirement)	6.75% per annum
Rate of pensionable pay inflation	4.5% per annum	4.5% per annum
Rate of price inflation	3.0% per annum	3.0% per annum

- 1.8 The 2010 valuation set the employer contribution rates effective from 1 April 2011. In previous years the employer contribution rate has been expressed as a percentage of pay. For the 2010 valuation, due to declining payrolls, the deficit recovery payment has been expressed as a monetary amount payable annually, whereas the future service rate is still expressed as a percentage of pay.
- 1.9 The Actuary has estimated that the funding level as at 31 March 2012 has fallen to 70% from 83% at 31 March 2011. This fall in the funding level is due primarily to the increase in liabilities. The value of the future pension liabilities is calculated using a discount rate based on UK gilt yields. As gilt yields fall, the value of these liabilities rises. Gilt yields in the UK are currently near historic lows.
- 1.10 The Fund's Funding Strategy Statement can be found on the Fund's website www.avonpensionfund.org.uk or supplied on request from Liz Woodyard, Investments Manager.

Statement of Investment Principles

- 1.11 The Fund's Statement of Investment Principles as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 can be found on the Fund's website www.avonpensionfund.org.uk or supplied on request from Liz Woodyard, Investments Manager.

PENSION FUND ACCOUNTS 2011/12

Statement of Accounting Policies

Basis of Preparation

2.1 Except where otherwise stated, the accounts have been prepared on an accruals basis, i.e. income and expenditure is recognised as it is earned or incurred, not as it is received or paid. The accounts have been prepared on a going concern basis.

Investments

2.2 Investments are shown in the accounts at market value, which has been determined as follows:

- i) Quoted Securities have been valued at 31 March 2012 by the Fund's custodian using internationally recognized pricing sources (bid-price or 'last trade') where a quotation was available on a recognised stock exchange or the unlisted securities market. Unquoted securities are included at fair value based on the Fund Manager's valuation.
- ii) Fixed interest securities exclude interest earned but not paid over at the year end, which is included separately within investment debtors.
- iii) Pooled investments are stated at their bid price or at the Net Asset Value quoted by their respective managers at 31 March 2012.
- iv) Foreign currency transactions are recorded at the prevailing rate at the date of transaction. Investments held in foreign currencies are shown at market value translated into sterling at the exchange rates ruling as at 31 March 2012.
- v) Open futures contracts are included in the net asset statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. The amounts included in the change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.
- vi) Forward foreign exchange contracts outstanding at the year- end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. Foreign currency transactions are recorded at the prevailing rate at the date of transaction.
- vii) Acquisition costs of investments (e.g. stamp duty and commissions) are treated as part of the investment cost.
- viii) Investment debtors and creditors at the year- end are included in investment assets in accordance with the CIPFA code of practice on local authority accounting.
- ix) The Fund's surplus cash is managed separately from the surplus cash of B&NES Council and is treated as an investment asset.

Contributions

2.3 Contributions represent those amounts receivable from the employing bodies in respect of their own and their pensionable employees' contributions. Employers' contributions are determined by the Actuary on the basis of triennial valuations of the Fund's assets and liabilities and take into account the Funding Strategy Statement set by the administering authority. Employees' contributions have been included at the rates prescribed by the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

Benefits, Refunds of Contributions and Cash Transfer Values

2.4 Benefits payable and refunds of contributions have been brought into the accounts as they fall due.

2.5 Cash Transfer Values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. Cash Transfer Values have been included in the accounts on the basis of the cheque payment date or "Bath & North East Somerset Council cash office received" date. Accruals are only made when it is certain that a transfer is to take place.

2.6 Charges for splitting pensions on divorce are either invoiced to members or, on request, paid out of future benefits. In the case of payment from future benefits the charge against benefits and income to the Fund are both made in the current year.

Investment Income

2.7 Dividends and interest have been accounted for on an accruals basis. Income on pooled investments is accumulated and reflected in the valuation of the units.

Investment Management & Administration

2.8 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 permit Bath & North East Somerset Council to charge administration costs to the Fund. A proportion of relevant Council costs has been charged to the Fund on the basis of actual time spent on Pension Fund business.

2.9 The fees of the Fund's external investment managers reflect their differing mandates. Fees are linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the investment changes. Management fees are recognised in the year in which the management services are provided. Fees are also payable to the Fund's global custodian and other advisors.

Taxation

2.10 The Fund is an exempt approved fund under the Income and Corporation Taxes Act 1988 and is therefore not liable to UK income tax on investment income or to capital gains tax. As Bath & North East Somerset Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. For taxation of overseas investment income please see note 3 iv. in the Notes to the Accounts.

Use of Accounting Estimates

2.11 The Statement of Accounts contains estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking in to account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty actual results could be materially different from the assumptions and estimates.

Estimates are used in the valuation of unquoted investments (see 2.2i) and in the actuarial valuation for the purposes of IAS 26 (note 17) in which the actuarial calculation of the liability is subject to the professional judgement of the actuary. The Fund's investments are stated at fair value. The subjectivity of the inputs used in making an assessment of fair value is explained in note 24d.

Events After the Balance Sheet Date

2.12 The Statement of Accounts contains estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking in to account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty actual results could be materially different from the assumptions and estimates.

Financial Instruments

2.13 Financial Assets and Liabilities are recognised on the Balance Sheet when the Fund becomes a party to the contractual provisions of a financial instrument and are measured at fair value

PENSION FUND ACCOUNTS 2011/12

Fund Account

For the Year Ended 31 March 2012

	Notes	2011/12 £'000	2010/11 £'000
Contributions and Benefits			
Contributions Receivable	4	137,983	139,519
Transfers In		7,066	9,571
Other Income	5	341	273
		145,390	149,363
Benefits Payable	6	129,155	121,745
Payments to and on account of Leavers	7	5,325	9,094
Administrative Expenses	8	2,359	2,379
		136,839	133,218
Net Additions from dealings with members		8,551	16,145
Returns on Investments			
Investment Income	10	27,667	22,663
Profit & losses on disposal of investments & change in value of investments	11	71,241	177,861
Investment Management Expenses	9	(9,228)	(7,194)
Net Returns on Investments		89,680	193,330
Net Increase in the net assets available for benefits during the year		98,231	209,475
Net Assets of the Fund			
At 1 April		2,668,063	2,458,588
At 31 March		2,766,294	2,668,063

Net Assets Statement at 31 March 2012

	Notes	31 March 2012 £'000	%	31 March 2011 £'000	%
INVESTMENT ASSETS					
Fixed interest securities : Public Sector		104,920	3.8	154,494	5.8
Equities		390,014	14.1	246,996	9.3
Index Linked securities : Public Sector		189,659	6.9	157,378	5.9
Pooled Investment vehicles:					
- Property : Unit Trusts		75,708	2.8	69,935	2.6
: Unitised Insurance Policies		50,849	1.8	49,875	1.9
: Other Managed Funds		70,394	2.5	52,242	2.0
Property Pooled Investment vehicles		196,951		172,052	
- Non Property : Unitised Insurance Policies		791,555	28.6	844,190	31.6
: Other Managed Funds		1,004,658	36.3	1,028,962	38.6
Non Property Pooled Investment Vehicles		1,796,213		1,873,152	
Derivative Contracts: FTSE Futures		(514)	-	543	-
Cash Deposits		76,595	2.8	50,515	1.9
Other Investment balances		6,734	0.2	4,749	0.2
INVESTMENT LIABILITIES					
Derivative contracts (Foreign Exchange hedge)		441	-	(59)	-
Other Investment balances		(3,648)	(0.1)	(1,869)	(0.1)
TOTAL INVESTMENT ASSETS	12	2,757,365		2,657,951	
Net Current Assets					
Current Assets	14	10,881	0.4	11,548	0.4
Current Liabilities	14	(1,952)	(0.1)	(1,436)	(0.1)
Net assets of the scheme available to fund benefits at the period end		2,766,294	100.0	2,668,063	100.0

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2012.

PENSION FUND ACCOUNTS 2011/12

Notes to Accounts - Year Ended 31 March 2012

1 GENERAL

The Fund is administered by Bath & North East Somerset Council under arrangements made following the abolition of the former Avon County Council on 31 March 1996.

The Fund is governed by the Local Government Pension Scheme Regulations 2008 (as amended). Membership of the Fund is open to pensionable employees of scheduled bodies in the former Avon County area, together with employees of eligible designating and admission bodies. A list of employers with contributing scheme members can be found in note 25.

Employers' contributions are payable at the rate specified for each employing authority by the Fund's actuary. The employees' contribution rate is payable in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

2 MEMBERSHIP

Membership of the Fund at the year-end was as follows:-

	31 March 2012	31 March 2011
Employed Members	33,737	33,810
Pensioners	23,631	22,541
Members entitled to Deferred Benefits	28,657	26,868
TOTAL	<u>86,025</u>	<u>83,219</u>

3 TAXATION

(i) Value Added Tax

The Fund's administering authority Bath & North East Somerset Council is reimbursed VAT by H. M. Revenue and Customs and the accounts are shown exclusive of VAT.

(ii) Income Tax

The Fund is a wholly exempt fund and some UK income tax is recoverable from HM Revenue and Customs. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax.

(iii) Capital Gains Tax

No capital gains tax is chargeable.

(iv) Taxation of Overseas Investment Income

The Fund receives interest on its overseas government bond portfolio gross, but a variety of arrangements apply to the taxation of interest on corporate bonds and dividends on overseas equities.

PENSION FUND ACCOUNTS 2011/12

4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

	2011/12 £'000	2010/11 £'000
Employers' normal contributions		
Scheduled Bodies	52,749	75,120
Administering Authority	7,137	11,560
Admission Bodies	5,252	7,587
	<u>65,138</u>	<u>94,267</u>
Employers' deficit Funding		
Scheduled Bodies	25,368	
Administering Authority	3,842	35
Admission Bodies	1,463	1,963
	<u>30,673</u>	<u>1,998</u>
Total Employer's normal & deficit funding	<u>95,811</u>	<u>96,265</u>
Employers' contributions - Augmentation		
Scheduled Bodies	4,941	4,226
Administering Authority	815	825
Admission Bodies	440	552
	<u>6,196</u>	<u>5,603</u>
Members' normal contributions		
Scheduled Bodies	29,112	29,060
Administering Authority	3,795	4,292
Admission Bodies	2,481	3,568
	<u>35,388</u>	<u>36,920</u>
Members' contributions toward additional benefits		
Scheduled Bodies	480	570
Administering Authority	78	126
Admission Bodies	30	35
	<u>588</u>	<u>731</u>
Total	<u><u>137,983</u></u>	<u><u>139,519</u></u>

The Members' contributions towards additional benefits above represent members' purchase of added years or additional benefits under the Scheme. Augmentation contributions are paid by employers to meet the cost of early retirements. Deficit funding contributions have been paid by employers in respect of the recovery of their deficit relating to past service.

A further facility is provided whereby members can make Additional Voluntary Contributions, on a money purchase basis, which are invested in insurance policies with The Equitable Life Assurance Society or Friends Life on behalf of the individual members concerned. These contributions are not part of the Pension Fund and are not therefore reflected in the Fund's accounts. A statement of the value of these investments is given in Note 20.

5 OTHER INCOME

	2011/12 £'000	2010/11 £'000
Recoveries for services provided	330	262
Cost recoveries	11	11
	<u>341</u>	<u>273</u>

'Recoveries for services provided refers to administrative and accounting services provided to employing bodies. Cost recoveries are the recovery of the cost of calculating Pension Sharing on divorce.

PENSION FUND ACCOUNTS 2011/12

6 BENEFITS PAYABLE

Analysis of Gross Benefits Payable by Type:-

	2011/12 £'000	2010/11 £'000
Retirement Pensions	97,229	90,317
Commutation of Pensions and Lump Sum Retirement Grants	29,416	28,734
Lump Sum Death Grants	2,510	2,694
	<u>129,155</u>	<u>121,745</u>

Analysis of Gross Benefits Payable by Employing Body:-

	2011/12 £'000	2010/11 £'000
Scheduled & Designating Bodies	108,110	102,705
Administering Authority	12,277	11,412
Admission Bodies	8,768	7,628
	<u>129,155</u>	<u>121,745</u>

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Leavers

	2011/12 £'000	2010/11 £'000
Refunds to members leaving service	19	22
Individual Cash Transfer Values to other schemes	5,306	9,072
Bulk Cash Transfers	-	-
	<u>5,325</u>	<u>9,094</u>

There have been no bulk transfers during the year.

8 ADMINISTRATION EXPENSES

Costs incurred in the management and administration of the Fund are set out below.

	2011/12 £'000	2010/11 £'000
Administration and processing	1,612	1,638
Actuarial fees	278	271
Audit fees	43	47
Legal and professional fees	-	0
Central recharges from Administering Body	426	423
	<u>2,359</u>	<u>2,379</u>

9 INVESTMENT EXPENSES

Expenses incurred in the management of the Fund are set out below.

	2011/12 £'000	2010/11 £'000
Portfolio management	8,830	6,840
Global custody	127	78
Investment advisors	168	174
Performance measurement	35	32
Investment accounting	8	15
Investment Administration	60	55
	<u>9,228</u>	<u>7,194</u>

PENSION FUND ACCOUNTS 2011/12

10 INVESTMENT INCOME

	2011/12 £'000	2010/11 £'000
Interest from fixed interest securities	5,762	6,350
Dividends from equities	12,010	7,051
Income from Index Linked securities	5,757	6,187
Income from pooled investment vehicles	3,751	2,917
Interest on cash deposits	370	146
Other - stock lending	17	12
TOTAL	27,667	22,663

The Fund has an arrangement with its custodian (BNY Mellon) to lend eligible securities from its portfolio to third parties in return for which the third parties pay fees to the fund. The third parties provide collateral to the Fund which is held during the period of the loan. This stock lending programme was introduced with effect from July 2004. The Fund may terminate any loan of securities by giving notice of not less than the standard settlement time for those securities.

The value of the stock on loan as at 31 March 2012 was £16.67 million (31 March 2011 £43.67m), comprising of £6.68m equities and £9.99m sovereign debt. This was secured by collateral worth £17.58 million comprising OECD sovereign and supra national debt and equity index baskets from the FTSE 350 index. The Fund does not sell collateral unless there is a default by the owner of the collateral.

11 CHANGE IN TOTAL NET ASSETS

	Value at 01/04/11 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31/03/12 £'000
Fixed Interest Securities	154,494	23,025	(103,921)	31,322	104,920
Equities	246,996	415,218	(263,954)	(8,246)	390,014
Index Linked Securities	157,378	46,148	(41,614)	27,747	189,659
Pooled Investments-					
- Property	172,052	40,890	(25,477)	9,486	196,951
- Non Property	1,873,152	129,556	(219,883)	13,388	1,796,213
Derivatives	483	1,687	(3,009)	766	(73)
	2,604,555	656,524	(657,858)	74,463	2,677,684
Cash Deposits	50,515	240,786	(213,344)	(1,362)	76,595
Net Purchases & sales		897,310	(871,202)	26,108	
Investment Debtors & Creditors	2,881			205	3,086
Total Investment Assets	2,657,951				2,757,365
Current Assets	10,112			(1,183)	8,929
Less Net Revenue of Fund				(26,990)	
Total Net Assets	2,668,063			71,241	2,766,294

The **Change in Market Value** of investments comprises all gains and losses on Fund investments during the year, whether realised or unrealised.

The **Change in Market Value** for cash deposits represents net losses on foreign currency deposits and foreign exchange transactions during the year.

Derivatives. The purchases and sales of derivatives are shown at the values of the realised profits and losses of the net derivatives transactions.

Investment Transaction Costs

The following transactions costs are included in the above:

	2011/12				2010/11			
	Purchases £'000	Sales £'000	Other £'000	Total £'000	Purchases £'000	Sales £'000	Other £'000	Total £'000
Fees and Taxes	650	31	-	681	606	1	-	607
Commission	414	446	9	869	159	152	3	314
Total	1,064	477	9	1,550	765	153	3	921

PENSION FUND ACCOUNTS 2011/12

12 INVESTMENT ASSETS

Further analysis of the market value of investments as set out in the Net Assets Statement is given below:-

	31 March 2012 £'000	31 March 2011 £'000
UK Equities		
Quoted	224,418	209,686
Pooled Investments	272,289	415,651
FTSE Futures	(514)	543
	<u>496,193</u>	<u>625,880</u>
Overseas Equities		
Quoted	165,597	37,310
Pooled Investments	963,933	987,796
	<u>1,129,530</u>	<u>1,025,106</u>
UK Fixed Interest Gilts		
Quoted	104,920	154,494
Pooled Investments	27,676	35,247
	<u>132,596</u>	<u>189,741</u>
UK Index Linked Gilts		
Quoted	189,658	157,378
	<u>189,658</u>	<u>157,378</u>
Sterling Bonds (excluding Gilts)		
Pooled Investments	240,771	138,079
	<u>240,771</u>	<u>138,079</u>
Non-Sterling Bonds		
Pooled Investments	77,973	74,000
	<u>77,973</u>	<u>74,000</u>
Hedge Funds		
Pooled Investments	213,571	222,379
	<u>213,571</u>	<u>222,379</u>
Property		
Pooled Investments	196,951	172,052
	<u>196,951</u>	<u>172,052</u>
Cash Deposits		
Sterling	70,728	49,672
Foreign Currencies	5,867	843
	<u>76,595</u>	<u>50,515</u>
Investment Debtors/Creditors		
Investment Income	3,132	3,264
Sales of Investments	3,602	1,485
Foreign Exchange Hedge	441	(59)
Purchases of Investments	(3,648)	(1,869)
	<u>3,527</u>	<u>2,821</u>
TOTAL INVESTMENT ASSETS	<u><u>2,757,365</u></u>	<u><u>2,657,951</u></u>

PENSION FUND ACCOUNTS 2011/12

DERIVATIVES ANALYSIS

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £'000	Liability Value £'000
Up to one month	GBP	1,070	CHF	(1,547)		(2)
Up to one month	GBP	3,884	EUR	(4,660)		-
Up to one month	GBP	47,026	USD	(75,100)	16	
Up to one month	GBP	35,527	JPY	(4,418,000)	1,912	
Up to one month	JPY	3,401,000	GBP	(27,666)		(1,789)
Up to one month	USD	48,000	GBP	(30,216)		(170)
One to six months	EUR	206,000	GBP	(180,529)		(8,599)
One to six months	GBP	238,898	EUR	(275,400)	9,035	
One to six months	GBP	125,662	JPY	(15,657,000)	6,326	
One to six months	GBP	438,949	USD	(706,600)		(3,681)
One to six months	JPY	10,407,000	GBP	(85,260)		(5,935)
One to six months	USD	627,696	GBP	(392,696)	435	
Six to twelve months	EUR	119,200	GBP	(100,731)		(994)
Six to twelve months	GBP	164,523	EUR	(196,100)	443	
Six to twelve months	GBP	103,526	JPY	(12,590,000)	7,283	
Six to twelve months	GBP	465,096	USD	(730,000)	7,368	
Six to twelve months	JPY	7,276,000	GBP	(60,374)		(4,775)
Six to twelve months	USD	416,700	GBP	(267,689)		(6,432)
Total					32,818	(32,377)
Net forward currency contracts at 31st March 2012						441
Open forward currency contracts at 31 March 2011						(59)
Net forward currency contracts at 31st March 2011						(59)

Note: the greater number of contracts open at 31st March 2012 is due to the implementation of the active currency hedging mandate.

<u>Exchange Traded Derivatives held at 31 March 2012:-</u>			
<u>Contract Type</u>	<u>Expiration</u>	<u>Book Cost</u> £'000	<u>Unrealised Gain</u> £'000
FTSE equity futures	June 2012	15,869	(514)
<u>Exchange Traded Derivatives held at 31 March 2011:-</u>			
FTSE equity futures	June 2011	15,228	543

A derivative is a financial contract between two parties, the value of which is determined by the underlying asset. Investment in derivatives may only be made if they contribute to a reduction of risks and facilitate efficient portfolio management.

The UK Equity futures contracts are held to facilitate efficient portfolio management for a short term passively managed investment where the costs of investing directly in UK equities would be significant.

Forward "over the counter" foreign exchange contracts are held by one of the investment managers to reduce the impact of fluctuations in the exchange rate between sterling and the other currency.

PENSION FUND ACCOUNTS 2011/12

The proportion of the market value of investment assets managed by each external manager and in house Treasury Management at the end of the financial year was:-

	31 March 2012		31 March 2011	
	£'000	%	£'000	%
Blackrock	1,297,622	47.1	1,469,327	55.3
Residual values held by former managers	1	-	24	-
Record	11,141	0.4	-	-
Jupiter Asset Management	115,721	4.2	109,295	4.1
Genesis Investment Management	140,717	5.1	147,200	5.5
Invesco Perpetual	173,237	6.3	169,742	6.4
State Street Global Advisors	86,241	3.1	91,176	3.4
Partners Group	71,011	2.5	53,129	2.0
Royal London Asset Management	227,558	8.3	131,992	5.0
TT International	134,334	4.9	132,073	5.0
Man Investments	63,099	2.3	100,418	3.8
Gottex Asset Management	52,820	1.9	53,490	2.0
Stenham Asset Management	33,272	1.2	11,665	0.4
Signet Capital Management	64,379	2.3	47,225	1.8
Lyster Watson Management	799	0.0	10,228	0.4
Schroder Investment Management	270,996	9.8	120,511	4.5
Bank of New York Mellon	7,369	0.3	1,882	0.1
Treasury Management	7,048	0.3	8,574	0.3
TOTAL INVESTMENT ASSETS	2,757,365	100.0	2,657,951	100.0

Residual values held by former Managers Capital International and Wellington Management International relate to reclaimable tax. The residual balance held by Lyster Watson at 31 March 2012 relates to the final settlement of mandate termination proceeds.

13 SINGLE INVESTMENTS OVER 5% OF ASSET CLASS

The following investments represent more than 5% of the net assets of the fund.

Investments	Value at 31st March 2012	% of Net Asset	Value at	
			31st March 2011	% of Net Asset
Aquila Life UK Equity Index Fund (BlackRock)	269,730,449	9.78%	413,357,332	15.55%
BlackRock World Index Fund	229,083,318	8.31%	238,457,411	8.97%
RLPPC UK Corporate Bond Fund (Royal London)	227,557,302	8.25%	131,992,313	4.97%
Invesco Perpetual Global ex UK Enhanced Index Fund	173,236,861	6.28%	169,742,352	6.39%
Genesis Emerging Markets Investment Fund	140,717,205	5.10%	147,200,459	5.54%

PENSION FUND ACCOUNTS 2011/12

14 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2012.

Debtors and creditors included in the accounts are analysed below:-

	31 March 2012 £'000	31 March 2011 £'000
CURRENT ASSETS		
Bath & North East Somerset Council	-	-
Contributions Receivable		
- Employers	7,306	7,466
- Members	2,783	2,963
Discretionary Early Retirement Costs	640	409
Other Debtors	152	710
	<u>10,881</u>	<u>11,548</u>
CURRENT LIABILITIES		
Management Fees	(1,119)	(728)
Lump Sum Retirement Benefits	(720)	(380)
Other Creditors	(113)	(328)
	<u>(1,952)</u>	<u>(1,436)</u>
	<u>8,929</u>	<u>10,112</u>

Analysis of Debtors and Creditors by Public Sector Bodies:-

	31 March 2012		31 March 2011	
	£'000	£'000	£'000	£'000
CURRENT ASSETS				
Local Authorities	8,424		9,068	
NHS Bodies	-		11	
Other Public Bodies	1,764		1,580	
Non Public Sector	693		889	
		<u>10,881</u>		<u>11,548</u>
CURRENT LIABILITIES				
Other Public Bodies	(40)			
Non Public Sector	(1,912)	(1,952)	(1,436)	(1,436)
NET CURRENT ASSETS		<u>8,929</u>		<u>10,112</u>

There were no debtors or creditors of Central Government or public corporations and traded funds.

15 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2012. (March 2011 = NIL)

16 EVENTS AFTER THE BALANCE SHEET DATE

On 31st May 2012 the proposals for the new LGPS (for England and Wales) were issued in outline. Formal consultation is scheduled to take place during the Autumn of 2012. If agreed the new scheme will be a Career Average Re-valued Earnings (CARE) scheme using CPI as the revaluation factor and will take effect from 1st April 2014. Details of the future cost management and governance of the proposed scheme are due to be made in the next phase of the LGPS 2014 Project. The cost of the new scheme will be met from employee's and employer's contributions.

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17 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSE OF IAS 26

The following statement is by the Fund's actuary

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions:

	31st March 2012	31st March 2011
Rate of return on investments (discount rate)	4.9% per annum	5.5% per annum
Rate of pay increases *	4.0% per annum	4.4% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.5% per annum	2.9% per annum

* a corresponding allowance to that made in the actuarial valuation has been made for short-term public sector pay restraint.

We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. Demographic assumptions are the same as those used for funding purposes.

On this basis, the value of the Fund's promised retirement benefits as at 31 March 2011 and 31 March 2012 were £3,536 million and £3,869 million respectively. During the year, corporate bond yields reduced significantly, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (4.9% p.a. versus 5.5% p.a.), and in addition there was a reduction in inflation expectations (from 2.9% p.a. to 2.5% p.a.). The net effect of these changes is an increase in the Fund's liabilities for the purposes of IAS26 of about £135 million.

18 TRANSFERS IN

There was one group transfer in to the fund during the year ending 31st March 2012. This was for £1.146m in respect of staff who transferred from the Learning Skills Council to local authorities with effect from 1 April 2010 and who opted to transfer their accrued benefits from the Principal Civil Service Pension Scheme to the LGPS. All other transfers in during the year were in relation to individuals.

19 BENEFITS RECHARGED TO EMPLOYERS

The Fund makes payments with regard to added year benefits awarded by the Employer to LGPS members, including related pension increases, and pension increases in respect of certain bodies with no pensionable employees in the Fund. The Fund also pays a small number of other pension supplements. These are not funded by the Fund and are recharged in full. They are not included in the Fund Account or related notes

	31 March 2012	31 March 2011
	£'000	£'000
Benefits Paid and Recharged	6,049	6,025

20 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested in insurance policies with The Equitable Life Assurance Society or Friends Life, the Fund's nominated AVC providers. Additional Voluntary Contributions received from employees and paid to The Equitable Life Assurance Society during 2011/12 were £1,156 (2010/11 - £4,128). Additional Voluntary Contributions received from employees and paid to Friends Life during 2011/12 were £452,103 (2010/11 - £516,160).

The total value of the assets invested, on a money purchase basis, with these AVC providers was:-

	31 March 2012	31 March 2011
	£'000	£'000
<u>Equitable Life</u>		
With Profits Retirement Benefits	678	784
Unit Linked Retirement Benefits	310	443
Building Society Benefits	279	319
	<u>1,267</u>	<u>1,546</u>
Death in Service Benefit	151	199
<u>Friends Life</u>		
With Profits Retirement Benefits	230	173
Unit Linked Retirement Benefits	3,700	2,307
Cash Fund	442	277
	<u>4,372</u>	<u>2,757</u>

AVC investments are not included in the Fund's financial statements.

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21 RELATED PARTIES

Committee Member Related:-

In 2011/12 £37,926 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£39,245 in 2010/11). Six voting members and two non-voting members of the Avon Pension Fund Committee (including five B&NES Councillor Members) were members of the Local Government Pension Scheme during the financial year 2011/2012. (Four voting members and three non-voting members in 2010/2011, including three B&NES Councillor Members)

Independent Member Related:-

Two Independent Members were paid allowances of £5,265 and £12,655 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. They are also entitled to claim reasonable expenses. The Independent Members are not eligible to join the Local Government Pension Scheme.

Employer Related:-

During the year 2011/12 the Fund paid B&NES Council £253,542 for administrative services (£246,209 in 2010/11) and B&NES Council paid the Fund £28,574 for administrative services (£27,636 in 2010/11). Various Employers paid the fund a total of £136,921 (£98,366 in 2010/11) for pension related services including pension's payroll and compiling data for submission to the actuary.

Officer and Manager related:-

The officers administering the Avon Pension Fund are all eligible to be members of the Avon Pension Fund.

The Fund is governed by Central Government regulation. There are no other related party transactions except as already disclosed elsewhere.

22 OUTSTANDING COMMITMENTS

As at the 31 March 2012 the Fund had outstanding commitments relating to investments in property that will be drawn down in tranches by the Investment Managers totalling £67,254,389.

23 FINANCIAL INSTRUMENTS

The net assets of the Fund are made up of the following categories of Financial Instruments:

	31/03/2012	31/03/2011
	£'000	£'000
Financial Assets		
Loans & Receivables	87,476	62,063
Financial assets at fair value through profit or loss	2,684,932	2,609,364
Total Financial Assets	<u>2,772,408</u>	<u>2,671,427</u>
Financial Liabilities		
Payables	(5,600)	(3,305)
Financial liabilities at fair value through profit or loss	(514)	(59)
Total Financial Liabilities	<u>(6,114)</u>	<u>(2,938)</u>

All investments are disclosed at fair value. Carrying value and fair value are therefore the same. The gains and losses recognised in the Fund Account in relation to financial instruments are made up as follows:-

Income, Expense, Gains and Losses

	Loans & Receivables	Financial assets at fair value through profit or loss	Loans & Receivables	Financial assets at fair value through profit or loss
	2011/12	2011/12	2010/11	2010/11
	£'000	£'000	£'000	£'000
Interest expense	-	-	-	-
Losses on derecognition	-	(19,427)	-	(2,321)
Reductions in fair value	-	(67,447)	-	(4,788)
Fee expense	-	(1,550)	-	(921)
Total expense in Fund Account	-	<u>(88,424)</u>	-	<u>(8,030)</u>
Interest and dividend income	370	27,297	146	22,517
Gains on derecognition	-	72,287	-	31,730
Increases in fair value	-	89,050	-	148,966
Total income in Fund Account	<u>370</u>	<u>188,634</u>	<u>146</u>	<u>203,213</u>
Net gain/(loss) for the year	370	100,210	146	195,183

PENSION FUND ACCOUNTS 2011/12

24 FINANCIAL RISK MANAGEMENT DISCLOSURE

As an investment fund, the Avon Pension Fund's objective is to generate positive investment returns for a given level of risk to meet the liabilities as they fall due over time. The aim of the investment strategy and management structure is to minimise the risk of a reduction in the value of the assets and maximise the opportunity for asset gains across the Fund.

To achieve its investment objective the Fund invests across a diverse range of assets in order to manage market risks (price, interest rate and currency risk), credit risk and liquidity risk to an acceptable level.

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 Avon 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 its Investment Consultant advises on the nature of the investments made and associated risks.

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

Because the Fund adopts a long term investment strategy, the high level risks described below will not alter significantly during any one year unless there are significant strategic or tactical changes to the portfolio. During the year around 2% of assets were switched from the UK gilt portfolio and invested in corporate bonds. The credit risk within the bond portfolio has altered as a result of this technical switch and this is shown in the analysis of credit risk. The risk management process identifies and mitigates the risks arising from the Fund's strategies which are reviewed regularly to reflect changes in market conditions.

(a) Market Risk

Market risk represents the risk of loss from fluctuations in equity and commodity prices, interest rates or foreign exchange rates. 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, market risk is managed through the diversification of the investments held by asset class, geography and industry sector, 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 against the strategic benchmark.

(a) (i) Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate 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 the market in general.

Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The Investment Managers mitigate this risk through diversification in line with their own investment strategies and mandate guidelines.

(a) (ii) Market 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 March 2012, in consultation with the Fund's advisors. The volatility data is broadly consistent with a one-standard deviation movement in the value of the assets which the Fund has determined is reasonably possible for the 2012/13 reporting period. The analysis assumes that all other variables including interest rates and foreign currency exchange rates remain the same.

Movements in market prices could have increased or decreased the net assets available to pay benefits valued at 31 March 2012 by the amounts shown below. It should be noted that the likelihood of this risk materialising in normal circumstances is low by virtue of the diversification within the Fund. Only assets affected by market prices have been included. The exposure is based on the "look through" exposure of the pooled funds.

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	531,761	15.6%	614,716	448,806
Overseas Equities	1,095,720	14.5%	1,254,599	936,841
Total Bonds	451,340	6.8%	482,032	420,648
Index Linked Gilts	189,658	7.8%	204,451	174,865
Properties	196,951	3.3%	203,450	190,452
Alternatives	213,571	3.8%	221,687	205,455
Total	2,679,001		2,980,935	2,377,067

PENSION FUND ACCOUNTS 2011/12

The same analysis for the year ending 31 March 2011 is shown below:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	641,080	19.9%	768,655	513,505
Overseas Equities	1,025,106	21.3%	1,243,454	806,758
Total Bonds	401,820	9.3%	439,189	364,451
Index Linked Gilts	157,378	11.5%	175,476	139,280
Properties	172,052	10.4%	189,945	154,159
Alternatives	222,379	6.8%	237,501	207,257
Total	2,619,815		3,054,220	2,185,410

(a) (iii) Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates which will affect the value of fixed interest and index linked securities. The amount of income receivable from cash balances or interest payable on overdrafts will be affected by fluctuations in interest rates.

The Fund's exposure to interest rate movements on these investments is provided below. Cash includes the cash deposits held against futures contracts.

	31/03/2012 £'000	31/03/2011 £'000
Cash and Cash Equivalents	76,595	50,515
Fixed Interest Assets	640,998	559,197
Total	717,593	609,712

(a) (iv) Interest Rate Risk - Sensitivity Analysis

The Fund recognised that interest rates can affect both income to the Fund and the value of the net assets to pay benefits. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the effect on the value of the fixed income securities as at 31 March 2012 of a 1% change in interest rates (or 100 basis points (bps)). The analysis assumes that all other variables including foreign currency exchange rates remain the same.

An increase or decrease of 1% in interest rates at the reporting date would have increased or decreased the net assets by the amount shown below.

As at 31 March 2012

	Change in net assets		
	Value £'000	+100 BPS £'000	-100 BPS £'000
Cash and Cash Equivalents	76,595	-	-
Fixed Interest Assets	640,998	(76,407)	76,407
Total	717,593	(76,407)	76,407

A 1% rise in interest rates will reduce the fair value of the relevant net assets and vice versa. Changes in interest rates do not impact the value of cash balances but they will affect the interest income received on those balances.

The same analysis for the year ending 31 March 2011 is shown below:

As at 31 March 2011

	Change in net assets		
	Value £'000	+100 BPS £'000	-100 BPS £'000
Cash and Cash Equivalents	50,515	-	-
Fixed Interest Assets	559,197	(69,620)	69,620
Total	609,712	(69,620)	69,620

PENSION FUND ACCOUNTS 2011/12

(a) (v) Currency Risk

Currency risk represents the risk that the fair value of financial instruments when expressed in Sterling, the Fund's base currency, will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on 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 investments falls.

The Fund's currency risk is monitored regularly as part of the strategic investment policy. The Fund dynamically hedges its exposure to the US Dollar, Yen and Euro in order to mitigate the impact of movements in these exchange rates. The Fund invests in the Fund of Hedge Funds' Sterling share classes which effectively eliminates currency gains and losses from the investment gains and losses.

Where an investment manager chooses to hedge against foreign currency movements forward foreign exchange contracts are used.

The following tables summarise the Fund's currency exposures within the portfolio. The fair value of each exposure is based on the "look through" exposure of the pooled funds and is based on information provided by the investment managers, except for the global property funds where the share class of the funds held has been used. The funds of hedge funds are not included in this analysis given the share classes held are hedged back to Sterling.

Currency risk by asset class:

Currency Exposure - Asset Type	Asset value as at 31st	Asset value as at 31st
	March 2012	March 2011
	£'000	£'000
Overseas Equities	1,095,720	1,025,106
Overseas Fixed Income	77,934	74,000
Overseas Property	70,333	52,106

(a) (vi) Currency Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in currency exchange rates has been analysed using the volatility broadly consistent with a one -standard deviation movement in the currency. The analysis assumes that all other variables including interest rates have a similar experience to that experienced for the year to 31 March 2012. The analysis as at 31 March 2012 assumes a 50% hedge ratio on the US Dollar, Yen and Euro assets to reflect the dynamic hedging strategy whereas the analysis as at 31 March 2011 is un-hedged.

A strengthening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2012 would have decreased the net assets by the amount shown in the tables below and vice versa:

Currency Risk by Asset Type:

Asset Type	Value	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
Overseas Equities	1,095,720	4.7%	1,147,054	1,044,386
Overseas Fixed Income	77,934	4.7%	81,585	74,283
Overseas Properties	70,333	4.7%	73,628	67,038
Total	1,243,987		1,302,267	1,185,707

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Currency Risk by Currency:

Currency	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Australian Dollar	4,828	10.5%	5,335	4,321
Brazilian Real	5,521	12.8%	6,229	4,812
Canadian Dollar	4,075	9.6%	4,467	3,683
Danish Krone	483	8.3%	523	443
EURO*	85,618	4.2%	89,197	82,039
Hong Kong Dollar	8,846	9.6%	9,695	7,997
Japanese Yen*	34,035	6.6%	36,297	31,773
Singapore Dollar	2,354	7.5%	2,530	2,178
South Korean Won	4,576	10.3%	5,046	4,106
Swedish Krona	327	10.2%	360	294
Swiss Franc	9,124	10.2%	10,059	8,189
US Dollar*	120,620	4.9%	126,503	114,739
Global Basket*	229,083	3.3%	236,582	221,584
Global ex UK Basket*	173,220	3.6%	179,411	167,029
North America Basket*	136,466	4.6%	142,775	130,157
Europe ex UK Basket*	144,759	3.9%	150,420	139,098
Asia Pacific Basket*	92,333	4.4%	96,403	88,263
Asia Pacific ex Japan	47,043	3.6%	48,733	45,353
Emerging Basket	140,675	7.8%	151,699	129,651
Total	1,243,987	4.7%	1,302,267	1,185,709

Notes: (1) currency exposure for segregated assets, overseas property and Overseas bonds is denoted by each currency; currency baskets are used for pooled equity investments.

(2) The * denotes where a 50% hedge ratio has been assumed

The same analysis for the year ending 31 March 2011 is shown below:

Currency Risk by Asset Type:

Asset Type	Value (£) £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	1,025,106	11.5%	1,142,489	907,723
Overseas Fixed Interest	74,000	11.5%	82,474	65,526
Overseas Property	52,106	11.5%	58,073	46,139
Total	1,151,212		1,283,036	1,019,388

Currency Risk by Currency:

Currency	Value (£)	% Change	Value on Increase	Value on Decrease
Australian Dollar	622	15.4%	718	526
Canadian Dollar	1,532	10.9%	1,700	1,364
Danish Krone	481	13.9%	548	414
EURO	67,351	13.9%	76,690	58,012
Japanese Yen	24,294	19.2%	28,958	19,630
Swedish Krona	377	13.4%	428	326
US Dollar	51,671	12.4%	58,071	45,271
Global Basket	238,457	9.6%	261,453	215,461
Global ex UK Basket	169,742	10.4%	187,390	152,094
North America Basket	135,522	11.9%	151,618	119,426
Europe Basket	6,200	8.8%	6,748	5,652
Europe ex UK Basket	162,468	12.5%	182,829	142,107
Asia Pacific Basket	93,658	13.0%	105,798	81,518
Asia Pacific ex Japan	49,548	10.7%	54,825	44,271
Emerging Basket	149,289	10.7%	165,262	133,316
Total	1,151,212		1,283,036	1,019,388

PENSION FUND ACCOUNTS 2011/12

(b) Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument or transaction will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk.

The market values of investments will reflect an assessment of credit in their pricing and therefore the risk of loss is implicitly provided for in the carrying value of the assets and liabilities.

The entire Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties including brokers, custodian and investment managers minimises credit risk that may occur through the failure to settle transactions in a timely manner.

Contractual 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 exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings.

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

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 and managers invest surplus cash held with the custodian in diversified money market funds.

The cash held under the Treasury Management arrangements and by the custodian as at 31 March 2012 was £14.4m. This was held with the following institutions:

	31st March 2012		31st March 2011	
	Rating	Balance £'000	Rating	Balance £'000
Custodian's Liquidity Fund				
Bank of New York Mellon	AAA	7,357	AAA	1,879
Bank Call Accounts				
Barclays Platinum Account	A	3,000	AA-	1,000
Bank of Scotland Corporate Deposit Account	A	3,000	AA-	500
Clydesdale Business Account	BBB+	-	AA-	3,000
NatWest Special Interest Bearing Account	A	1,020	AA-	4,040
Bank Current Account				
NatWest	A	14	AA-	22

Since 31st March 2012 the ratings relating to the bank accounts have been downgraded.

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

The fair market value of the financial assets represents the Fund's exposure to credit risk in relation to those assets and is set out below. For derivative positions the credit risk is equal to the net market value of positive (asset) derivative positions.

	31/03/2012	31/03/2011
	£'000	£'000
Equities	1,626,235	1,650,443
Fixed Interest - Quoted	104,920	154,494
Fixed Interest - Pooled	346,420	247,326
Index Linked - Quoted	189,659	157,378
Fund of Hedge Funds	213,571	222,379
Property	196,951	172,052
Cash assets	76,595	50,515
Derivatives FTSE Futures	(514)	543
Forward Foreign Exchange Hedge	441	(59)
Investment Debtors/Creditors	3,087	2,880
	<u>2,757,365</u>	<u>2,657,951</u>

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

Credit Analysis 31/03/2012	AAA	AA	A	BBB	BB	Unrated
	£'000	£'000	£'000	£'000	£'000	£'000
UK Gilts	132,597	-	-	-	-	-
UK Index Linked	189,658	-	-	-	-	-
Overseas Government Bonds	43,439	26,877	7,657	-	-	-
Corporate Bonds	33,668	21,941	79,263	72,607	6,440	26,852
	399,362	48,818	86,920	72,607	6,440	26,852
% of Fixed Interest portfolios	62%	8%	14%	11%	1%	4%

The same analysis for the year ending 31 March 2011 is shown below:

Credit Analysis 31/03/2011	AAA	AA	A	BBB	BB	Unrated
	£'000	£'000	£'000	£'000	£'000	£'000
UK Gilts	189,741	-	-	-	-	-
UK Index Linked	157,378	-	-	-	-	-
Overseas Government Bonds	39,886	33,966	-	-	-	-
Corporate Bonds	16,228	13,511	49,556	36,724	5,436	16,895
	403,233	47,477	49,556	36,724	5,436	16,895
% of Fixed Interest portfolios	72%	8%	9%	7%	1%	3%

Through the UK Gilt and Index Linked portfolios the Fund has significant credit exposure to the UK Government. Unrated bonds are bonds that are not rated by any of the rating agencies; traditionally, unrated bonds benefit from security over the assets of the issuer. The reduction in AAA assets as at 31 March 2012 reflects the switch from UK Government gilts (AAA rated) into corporate bonds.

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's investment and cash management strategies ensure that the pension fund has adequate cash to meet its working requirements. Cash flow forecasts are prepared to manage the timing of and changes to the Fund's cash flows. The Fund has access to an overdraft facility for short term cash needs which was not drawn on during the year.

The Fund has immediate access to its cash holdings and 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. These are classed as liquid assets as they can be converted to cash within 3 months. The main liability of the Fund is the benefits payable as they 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 and fund of hedge funds which are subject to longer redemption periods and cannot be considered as liquid as the other investments. As at 31 March 2012 the value of the illiquid assets was £410m, which represented 14.9% of the total Fund assets (31 March 2011: £394m which represented 14.8% of the total Fund assets).

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(d) Fair Value Hierarchy

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

- * Level 1 - easy to price securities; there is a liquid market for these securities.
- * Level 2 - moderately difficult to price; limited visible market parameters to use in the valuation e.g. use inputs derived from observable market data.
- * Level 3 - difficult to price; difficult to verify the parameters used in valuation e.g. use information not available in the market.

The level in the fair value hierarchy will be determined by the lowest level of input that is appropriate for the investment. This is particularly relevant for pooled funds where, for this exercise, the fund is classified as a single investment.

The classification of financial instruments in the fair value hierarchy is subjective but the Fund has applied the same criteria consistently across its investments. The financial instruments reported at fair value are classified in accordance with the following levels:

Level 1 - Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. These include active listed equities, exchange traded derivatives, quoted government securities and unit trusts.

Therefore in the analysis below, Level 1 includes quoted equities and government securities but excludes pooled funds that invest in these securities.

Level 2 - Financial instruments at Level 2 are those where quoted market prices are not available; for example where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where those techniques use inputs that are based significantly on observable market data.

Therefore in the analysis below, Level 2 includes pooled funds where the net asset value of the pooled fund is derived from observable prices of the underlying securities. The Fund's holding in these pooled funds can be realised at net asset value.

Level 3 - Financial instruments at Level 3 are those where at least one input that could have a significant effect on the valuation is not based on marketable data. Such instruments would include unquoted equity, property and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Therefore in the analysis below, Level 3 includes pooled funds such as the property funds and Fund of Hedge Funds where the net asset value is derived from unobservable inputs. In addition, the Fund's holding in these pooled funds is not immediately realisable at the net asset value.

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

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Equities - Quoted	389,501			389,501
Bonds - Quoted	294,578			294,578
Pooled Investment Vehicles		1,582,642		1,582,642
Fund of Hedge Funds			213,571	213,571
Property			196,951	196,951
Cash	76,595			76,595
Investment Debtors/Creditors	3,527			3,527
	764,201	1,582,642	410,522	2,757,365

The fair value hierarchy as at 31 March 2011 was:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Equities - Quoted	247,539			247,539
Bonds - Quoted	311,872			311,872
Pooled Investment Vehicles		1,650,773		1,650,773
Fund of Hedge Funds			222,379	222,379
Property			172,052	172,052
Cash	50,515			50,515
Investment Debtors/Creditors	2,821			2,821
	612,747	1,650,773	394,431	2,657,951

PENSION FUND ACCOUNTS 2011/12

25 EMPLOYING BODIES

As at 31 March 2012 the following employing bodies had contributing scheme members in the Avon Pension Fund:

Scheduled Bodies

Principal Councils and Service Providers

Avon Fire Brigade
Bath & North East Somerset Council
Bristol City Council
North Somerset Council
South Gloucestershire Council

Education Establishments

Academy of Trinity C of E	Henleaze Junior School Academy
Backwell School Academy	Ilminster Avenue E – Act Academy
Bath Spa University College	Kings Oak Academy
Beechen Cliff School Academy	Merchant's Academy
Bradley Stoke Community School	Midsomer Norton School Partnership
Bristol Cathedral Choir School	Norton Radstock College
Bristol Free School	Oasis Academy Brightstowe
Broadoak Mathematic & Computing College	Oasis Academy John Williams
Cabot Learning Federation	Oldfield School Academy Trust
Churchill Academy & Sixth Form	Priory Community School Academy
City Academy Bristol	South Gloucestershire & Stroud College
City of Bath College	St Bede's School Academy
City of Bristol College	St. Brendan's 6th Form College
Clevedon School Academy	University of Bath
Colston Girl's School Academy	University of the West of England
Cotham School Academy	Waycroft School Academy
EACT (St Ursula's Academy)	Wellsway School Academy
Elmlea Junior School Academy	Westbury-on-Trym C of E Academy
Gordano School Academy	West Town Lane Primary School
Fosseway Special School	Weston College
Hans Price Academy	Winterbourne International Academy
Hayesfield Girl's School Academy	Writhlington School Academy
University of the West of England	Yate International Academy
Weston College	

Designating Bodies

Almondsbury Parish Council	Midsomer Norton Town Council
Backwell Parish Council	Nailsea Town Council
Bath Tourism Plus	Oldland Parish Council
Bradley Stoke Town Council	Patchway Town Council
Charter Trustees of the City of Bath	Paulton Parish Council
Clevedon Town Council	Peasedown St John Parish Council
Congresbury Parish Council	Portishead & North Weston Town Council
Destination Bristol	Radstock Town Council
Dodington Parish Council	Saltford Parish Council
Downend & Bromley Heath Parish Council	Stoke Gifford Parish Council
Easton in Gordano Parish Council	Thornbury Town Council
Filton Town Council	Westerleigh Parish Council
Frampton Cotterell Parish Council	Weston Super Mare Town Council
Hanham Parish Council	Westfield Parish Council
Hanham Abbots Parish Council	Whitchurch Parish Council
Keynsham Town Council	Winterbourne Parish Council
Long Ashton Parish Council	Yatton parish Council
Mangotsfield Parish Council	Yate Town Council

PENSION FUND ACCOUNTS 2011/12

Admitted Bodies

Active Community Engagement Ltd	Merlin Housing Society Ltd
Agilisys	Merlin Housing Society (SG)
Agincare Ltd *	Mouchel *
Alliance Homes	Mouchel Business Services*
Aquaterra Leisure	Mouchel Business Services Ltd (Nailsea IT)*
Aramark Ltd *	Northgate Colston Girls School IT
Ashley House Hostel	Off The Record Bath & North East Somerset
BAM Construct UK Ltd (for Henbury School) *	Prospect Services Ltd *
Bath & North East Somerset Racial Equality Council	Quadron Services *
Bespoke Cleaning Services Ltd *	RM Data Solutions
Bristol Music Trust	Shaw Healthcare (North Somerset) Ltd. *
The Care Quality Commission	Sirona Care & Health CIC
Centre For Deaf People	SITA Holdings UK Ltd. *
Churchill Contract Services	Skanska (Cabot Learning Federation)*
Churchill Team Clean	Skanska Rashleigh Westerfoil *
Circadian Trust	SLM Community Leisure *
Clifton Suspension Bridge Trust	SLM Fitness and Health *
Eden Food Services *	Sodexo Ltd
English Landscapes*	Somer Community Housing Trust
Genuine Dining Ltd	Somer Housing Group Ltd.
Holburne Museum of Art	Southern Brooks Community Partnership
ISS Mediclean (Bristol)*	South West Academies
ISS Mediclean Cabot Learning Federation*	Southwest Grid for Learning Trust
Keir Facilities Services	The Brandon Trust *
Learning Partnership West Ltd	Tone Leisure Trust *
Liberata UK Limited	West of England Sports Trust
	Vision North Somerset

* Transferee Admission Body: A body that provides, by means of contract, a service in connection with the exercise of a function of a scheme employer.

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

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. The Council has made the Divisional Director of Finance responsible for financial administration.
- * Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- * Approve the statement of accounts for the year.

Divisional Director of Finance responsibilities:

The Divisional Director of Finance 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.

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

- * Selected suitable accounting policies and then applied them consistently
- * Made judgements which were reasonable and prudent
- * Complied with the local authority Code of Practice

The Divisional Director of Finance has also:

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

Statement of the Divisional Director of Finance

I hereby certify that this statement of accounts presents a true and fair view of the financial position of the Council at the accounting date and the income and expenditure for the year ended 31 March 2012.

SIGNED:

Divisional Director Finance (s.151 officer)
DATE

Tim Richens

Chairperson, Corporate Audit Committee
DATE

Councillor Andy Furse

The Statement of Accounts were Authorised for Issue on

GLOSSARY OF TERMS

Accounting Policies

Rules and practices adopted by the Council that dictate how transactions and events are shown or costed.

Accruals

Income and expenditure are recognised as they are earned or incurred not as money is received or paid.

Actuary

An independent professional who advises on the position on the Pension Fund.

Actuarial Valuation

The Actuary reviews the assets and liabilities of the pension fund every three years.

Appropriation

The assignment of revenue for a specific purpose.

Balance Sheet

Statement of recorded assets and liabilities and other balances at the end of the accounting period.

Capital Charges

A charge made to service revenue accounts, for depreciation to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure on new fixed assets such as land and buildings or on enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Receipts

Income received from the disposal of land, buildings and other capital assets.

Collection Fund

A fund operated by the billing authority into which all receipts of Council tax and National Non-Domestic Rates (NNDR) are paid.

Contingent Liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Council Tax

A tax on domestic properties introduced 1st April 1993 to replace the community charge.

Creditors

Amounts owed by the Council for goods and services received on or before 31st March.

GLOSSARY OF TERMS

Debtors

Amounts owed to the Council for goods and services provided on or before 31st March.

Deferred Charges

Items for which expenditure is charged to capital, but there is no tangible asset.

Depreciation

The loss in value of an asset due to age, wear and tear, deterioration and obsolescence.

Earmarked Reserves

Amounts set aside for a specific purpose or a particular service or type of expenditure.

Fixed Assets

Tangible assets that result in benefits to the local authority and the services it provides for more than a year.

Fixed Asset Restatement Account

Balance of surpluses or deficits arising on periodic revaluation of fixed assets.

General Fund

The account that summarises the revenue costs of providing services that are met by the Council's demand on the Collection Fund, specific government grants and other income.

Gross Expenditure

Total expenditure before deducting income.

Infrastructure Assets

Fixed assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of assets.

Minimum Revenue Provision

The minimum amount the Council must charge to its revenue account to provide for repayment of debt.

National Non-Domestic Rates (NNDR)

A flat rate in the pound set by government and levied on businesses in the Council area.

Net Expenditure

Gross expenditure less income.

GLOSSARY OF TERMS

Operating Lease

A lease under which the asset is not the property of the lessee.

Outturn

Actual income and expenditure for the financial year.

Precept

The charge made by one authority to another to finance its net expenditure.

Private Finance Initiative (PFI)

Government initiative under which councils buy the services of the private sector to design, build, finance and operate a public facility.

Provision

Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

Rateable Value

The value of a property for rating purposes set by the inland revenue. Business rates payable are calculated by multiplying the rateable value of the property by the rate in the pound set by government.

Reserves

The amount held in balances and funds that are free from specific liabilities or commitments.

Revenue Expenditure

The regular day-to-day running costs incurred in providing services.

Revenue Support Grant (RSG)

The main grant paid by central government to a local authority towards the cost of all its services.

Statement of Recommended Practice (SORP)

Recommendations on accounting practices issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) with which the Council must comply.

Support Services

Activities of a professional, technical and administrative nature, which are not local authority services in their own right, but support the front line service.

Trading Accounts

The profit and loss account of any trading organisation that needs to be disclosed separately in the Council's account.