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Date: 11 September 2015
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To: All Members of the Corporate Audit Committee

Councillors: Brian Simmons (Chair), Chris Dando, Andrew Furse, Barry Macrae and Christopher Pearce

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

Dear Member

Corporate Audit Committee: Monday, 28th September, 2015

You are invited to attend a meeting of the **Corporate Audit Committee**, to be held on **Monday, 28th September, 2015** at **5.30 pm** in the**. Council Chamber - Guildhall, Bath.**

The agenda is set out overleaf.

Yours sincerely

Sean O'Neill
for Chief Executive

If you need to access this agenda or any of the supporting reports in an alternative accessible format please contact Democratic Services or the relevant report author

whose details are listed at the end of each report.

NOTES:

1. **Inspection of Papers:** Any person wishing to inspect minutes, reports, or a list of the background papers relating to any item on this Agenda should contact Sean O'Neill who is available by telephoning Bath 01225 395090 or by calling at the Guildhall Bath (during normal office hours).

2. **Public Speaking at Meetings:** The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. Advance notice is required not less than two full working days before the meeting (this means that for meetings held on Wednesdays notice must be received in Democratic Services by 4.30pm the previous Friday)

   The public may also ask a question to which a written answer will be given. Questions must be submitted in writing to Democratic Services at least two full working days in advance of the meeting (this means that for meetings held on Wednesdays, notice must be received in Democratic Services by 4.30pm the previous Friday). If an answer cannot be prepared in time for the meeting it will be sent out within five days afterwards. Further details of the scheme can be obtained by contacting Sean O'Neill as above.

3. **Details of Decisions taken at this meeting** can be found in the minutes which will be published as soon as possible after the meeting, and also circulated with the agenda for the next meeting. In the meantime details can be obtained by contacting Sean O'Neill as above.

   Appendices to reports are available for inspection as follows:-

   Public Access points - Reception: Civic Centre - Keynsham, Guildhall - Bath, Hollies - Midsomer Norton, and Bath Central, Keynsham and Midsomer Norton public libraries.

   For Councillors and Officers papers may be inspected via Political Group Research Assistants and Group Rooms/Members' Rooms.

4. **Recording at Meetings**:-

   The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

   Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

   To comply with the Data Protection Act 1998, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator

The Council will broadcast the images and sound live via the internet www.bathnes.gov.uk/webcast An archived recording of the proceedings will also be available for viewing after the meeting. The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

5. **Attendance Register:** Members should sign the Register which will be circulated at the meeting.

6. THE APPENDED SUPPORTING DOCUMENTS ARE IDENTIFIED BY AGENDA ITEM NUMBER.

7. **Emergency Evacuation Procedure**

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are sign-posted.

Arrangements are in place for the safe evacuation of disabled people.

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Protocol for Decision-making

Guidance for Members when making decisions

When making decisions, the Cabinet/Committee must ensure it has regard only to relevant considerations and disregards those that are not material.

The Cabinet/Committee must ensure that it bears in mind the following legal duties when making its decisions:

- Equalities considerations
- Risk Management considerations
- Crime and Disorder considerations
- Sustainability considerations
- Natural Environment considerations
- Planning Act 2008 considerations
- Human Rights Act 1998 considerations
- Children Act 2004 considerations
- Public Health & Inequalities considerations

Whilst it is the responsibility of the report author and the Council's Monitoring Officer and Chief Financial Officer to assess the applicability of the legal requirements, decision makers should ensure they are satisfied that the information presented to them is consistent with and takes due regard of them.

Corporate Audit Committee - Monday, 28th September, 2015

at 5.30 pm in the Council Chamber - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

   The Chair will draw attention to the emergency evacuation procedure as set out under Note 8.

2. ELECTION OF VICE-CHAIR

   To elect a Vice-Chair (if required) for this meeting.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

4. DECLARATIONS OF INTEREST

   At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

   (a) The agenda item number in which they have an interest to declare.

   (b) The nature of their interest.

   (c) Whether their interest is a **disclosable pecuniary interest** *or* an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

   Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

   The Chair will announce any items of urgent business.

6. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

7. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

   To deal with any petitions, statements or questions from Councillors and, where appropriate, co-opted and added Members.

8. MINUTES: 26TH MARCH 2015 (Pages 7 - 12)

9. GOVERNANCE REPORTS FOR COUNCIL AND AVON PENSION FUND, AND AUDITED STATEMENT OF ACCOUNTS 2014/15 (Pages 13 - 202)

10. TREASURY MANAGEMENT OUTTURN 2014/15 (Pages 203 - 218)

11. REVISIONS TO KEY FINANCIAL AND CORPORATE GOVERNANCE RULES AND REGULATIONS (Pages 219 - 302)

12. COMMITTEE WORK PLAN (Pages 303 - 308)

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

BATH AND NORTH EAST SOMERSET COUNCIL

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Thursday, 26th March, 2015, 5.30 pm

Councillors: Will Sandry, Gerry Curran (Chair), Dave Laming, Brian Simmons and Brian Webber
Independent Member:
Officers in attendance: Tim Richens (Divisional Director- Business Support), Jeff Wring (Divisional Director, Risk and Assurance) and Andy Cox (Group Manager (Audit/Risk))
Guests in attendance:

38 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

39 ELECTION OF VICE-CHAIR

RESOLVED that a Vice-Chair was not required on this occasion.

40 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Andrew Furse.

41 DECLARATIONS OF INTEREST

There were none.

42 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

43 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

44 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

45 MINUTES: 2ND DECEMBER 2014

The minutes of the 2nd December 2014 were approved as a correct record and signed by the Chair.

46 EXTERNAL AUDIT UPDATE REPORT

Mr Henderson presented the report and drew the attention of Members to key points in the three appendices.

In reply to a question from a Member, the Divisional Director – Business Support explained that the Council was allowed to charge the operating costs of the Regional Growth Fund to the LEP.

Mr Henderson confirmed that the external auditors were already co-operating with the PCT on the review of the Better Care Fund.

Mr Henderson said that the qualification made to the Housing Benefit subsidy claim should not cause serious concern: the auditor had a duty to report any discrepancies and the rules were very complex. Most councils had issues in this area. The more errors found, the more work the auditor had to do, which impacted on the fee charged. A Member suggested that the implementation date for the action plan for Housing Benefit (agenda page 56) was very short, and wondered whether it was reasonable. Mr Henderson said that the date had actually been set six weeks ago, so the time for implementation was longer than at first appeared. The Member suggested that if there was slippage in implementation, the Customer Services Team Leader should be invited to the next meeting of the Committee to explain what was happening. There was clearly a cost to the Council if problems were not resolved, so the Committee should keep the matter under review.

The Divisional Director – Risk and Assurance reminded Members that the Section 151 Officer and the Chair were required to send a letter to the External Auditor setting out the Chair's view on how assurance management complies with audit standards and other requirements. A draft had been agreed by the Chairman, and would be circulated to Members for comment before it was sent.

Mr Henderson invited Members to let him have feedback on the format of the external audit reports.

RESOLVED to note the plan and various updates from the External Auditor.

47 TREASURY MANAGEMENT STRATEGY

The Divisional Director – Business Support presented the report. He pointed out that there were actually two strategies for consideration: the Treasury Management Strategy, dealing with borrowing, and the Investment Strategy. He said that the two strategies were approved by Council in February in time for the new financial year. Usually they would have come to Committee first, but the Committee had not met in February this year. Any comments from the Committee would be reported to the July meeting of Council.

He said that there had been no change in the overall approach, which was to use cash flow to minimise borrowing. Though the potential need to borrow for the capital programme was recognised, it would be avoided as far as possible. The overall approach made sense at a time when the cost of debt and returns on investment were both very low. It had been necessary to incur some new debt during the year because of reduced cash flow and the need to pay creditors, but the Council was still £120m under its borrowing limit.

RESOLVED:

1. To approve the actions proposed within the Treasury Management Statement.
2. To approve the Investment Strategy as detailed in Appendix 2.
3. To approve the changes to the authorised lending lists detailed in Appendix 2 and highlighted in Appendix 3.

48 INTERNAL AUDIT REPORT

The Group Leader Audit and Risk presented the performance report. He drew attention to the reasons given in paragraph 4.4 of the report for current percentage (81%) of planned work completed and to the wider performance indicators given in paragraph 4.6.

A Member expressed concern about the high number of recommendations made to services after audits. The Group Leader Audit and Risk responded that he thought it preferable to make smart recommendations, which were very specific, rather than to try to incorporate everything in one long recommendation, which might leave room for ambiguity. The focus on the individual elements of controls was intended to leave management in no doubt about what needed to be done.

A Member noted that 200 days of support from South West Audit Partnership had been included in the Audit Plan, but only 128 days had been delivered. He wondered this was an issue of expertise or the compatibility of the staff resource that SWAP were able to offer. The Group Leader Audit and Risk replied that the reference to 200 days of SWAP support in the Audit Plan was only intended to identify work that might be sourced from them, and did not mean that that work had actually been allocated to them. There were issues relating to the organisation of audits that had prevented more days being sourced from them. The Divisional Director – Risk and Assurance said that this had been a transitional year: external providers were being used for the first time, and the Internal Audit Team had been learning how to work with them so that they could deliver the maximum benefit.

The Divisional Director – Risk and Assurance updated Members on resources and progress with the audit partnership with North Somerset. As stated in paragraph 4.15 of the report work was underway to finalise the contract for the partnership and to arrange for TUPE of North Somerset Council staff. It was hoped that a fully integrated audit team would be operational form 5th April 2015. Every opportunity to add value would be taken. Other local authority partners were being sought, and it was hoped to generate new income for the partnership by doing work for other public sector bodies.

The Divisional Director – Risk and Assurance drew the attention of Members to his formal opinion on the internal control framework given in paragraphs 4.19-4.23 of the report.

RESOLVED to note the summary of audit work completed during 2014/15 and the performance of the Internal Audit Team given in Appendices 1 and 2 to the report.

49 INTERNAL AUDIT PLAN

The Group Leader Audit and Risk presented the report. He said that the usual risk-based methodology had been used to prepare the Plan. He had met all the Divisional Directors to discuss their requirements. 51 audit reviews were planned. Other work included the Council's Annual Governance Review, providing risk advice and investigating suspected financial irregularities. He invited the Committee to approve the plan.

The Divisional Director – Risk Areas said that there 10 or 11 areas that would be the subject of joint reviews by the Audit Partnership.

RESOLVED to approve the Internal Audit Plan for 2016/16.

50 ANNUAL GOVERNANCE REVIEW UPDATE

The Group Manager (Audit and Risk) presented the report. He said that the Council was required to issue an Annual Governance Statement to accompany the publication of the accounts. The methodology used to identify significant risks for 2014/2015 was a tried and tested one, which had been used for the past four years. The process was illustrated in Appendix 1. Future key milestones in the process were set out in paragraph 4.19 of the report.

RESOLVED to note the progress of the Annual Governance Review.

51 ANNUAL REPORT OF AUDIT COMMITTEE

The Divisional Director – Audit and Risk presented the report. He suggested that though the report was to go to Council in September, it would be best, in view of the coming elections, to prepare it now. He proposed that he and the Chairman would agree a draft, which would be circulated to Members for comment.

A Member suggested that the Audit Partnership with North Somerset should be listed as one of the achievements of the Committee.

The Chair thanked Members and officers for their work in support of the Committee.

RESOLVED to delegate to the Chairman and the Chairman of the Committee and the Chief Internal Auditor to prepare an annual report for submission to the Council in September.

The meeting ended at 6.50 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

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Bath & North East Somerset Council	
MEETING:	**Corporate Audit Committee**
MEETING DATE:	**28th September 2015**
TITLE:	**Governance Reports for Council and Avon Pension Fund, and Audited Statement of Accounts 2014/15**
WARD:	All
AN OPEN PUBLIC ITEM	
List of attachments to this report: **Appendix 1** – Audit Findings Report for Bath & North East Somerset Council **Appendix 2** – Audit Findings Report for Avon Pension Fund **Appendix 3** – Bath & North East Somerset Council Audited Statement of Accounts 2014/15 **Appendix 4** – Bath & North East Somerset Council Letter of Representation	

1 THE ISSUE

1.1 The Audit Findings Report summarises the results of Grant Thornton's audit of the 2014/15 accounts. It includes the issues arising from the audit of the financial statements, and those issues which they are formally required to report to you under the Audit Commission's Code of Practice and International Standard of Auditing (UK & Ireland) – 'Communication of audit matters with those charged with governance'.

2 RECOMMENDATION

The Corporate Audit Committee Recommends that:

2.1 The issues contained within the Audit Findings Reports for the Council and Avon Pension Fund, are noted

2.2 The audited Statement of Accounts – including the letter of representation - for Bath & North East Somerset Council for 2014/15 is approved.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

3.1 The Council's Statement of Accounts sets out the Income and Expenditure for the 2014/15 financial year, together with the Balance Sheet and all related supporting information.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 The Statutory Statement of Accounts have been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards.

4.2 The Accounts and Audit Regulations 2003 require that the Statement of Accounts shall be approved by a resolution of a Committee of the relevant body and that following approval, the Statement of Accounts be signed and dated by the person presiding at the Committee.

5 THE REPORT

Council's Accounts

5.1 The foreword to the Statement of Accounts gives an overview of the financial position as set out in the accounts in the detailed statements and notes.

5.2 The work carried out by Grant Thornton as part of the audit of the financial statements has resulted in a number of corrections to the Balance Sheet and Comprehensive Income & Expenditure Statement, mainly in relation to revisions to the accounting treatment of movements of assets values in the Council's asset registers. None of these amendments adjust the total net expenditure or total usable reserves.

5.3 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Council's 2014/15 Financial Statements.

Avon Pension Fund's Accounts

5.4 During the audit, there have been several amendments to the Pension Fund accounts since the draft version that were presented to the Pensions Committee in June. These changes have been updated in the final Statement of Accounts, which were presented to the Pensions Committee on Friday 25th September 2015.

5.5 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Pension Fund's 2014/15 Financial Statements.

Annual Governance Statement

5.6 The Annual Governance Statement forms part of the Annual Accounts and has previously been reported to the Committee. After consideration by management no significant issues are being reported and the statement has been signed and is included in the formal statement of accounts.

6 RATIONALE

6.1 The report is presented as part of the reporting of financial management and budgetary control required by the Council.

7 OTHER OPTIONS CONSIDERED

7.1 None

8 CONSULATION

8.1 Consultation has been carried out with the Section 151 Finance Officer.

8.2 Consultation was carried out at meetings and via e-mail.

9 RISK MANAGEMENT

9.1 The Council's on-going financial position is an identified risk that is regularly monitored.

Contact person	*Tim Richens - 01225 477468 ; Jamie Whittard - 01225 477213* *Tim_Richens@bathnes.gov.uk Jamie_Whittard@bathnes.gov.uk*
Background papers	*None*
Please contact the report author if you need to access this report in an alternative format	

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The Audit Findings
for Bath and North East Somerset Council

Year ended 31 March 2015

18 September 2015

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18 September 2015

Dear Members of the Corporate Audit Committee

Audit Findings for Bath and North East Somerset Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Bath and North East Somerset Council, the Corporate Audit Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Barrie Morris

Engagement Lead

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Bath and North East Somerset Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 13 March 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion and
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

We have not identified any adjustments affecting the Council's reported financial position. However, we have identified a number of adjustments in respect of the valuation of property, plant and equipment (PPE) assets and to improve the presentation of the financial statements (details are recorded in section 2 of this report).

The key message arising from our audit of the Council's financial statements is that the Council needs to improve its arrangements for ensuring that the value of PPE is fairly stated. Further details are set out in section 2 of this report.

Value for Money conclusion
We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)
We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities
The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings
We draw your attention in particular to control issues identified in relation to Information Technology.

Further details are provided within section two of this report.

The way forward
Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Divisional Director: Business Support.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Divisional Director: Business Support and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan dated 13 March 2015 and presented to the Corporate Audit Committee on 26 March 2015.

We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition	• review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions]	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. However, a number of journals were input without an adequate description of the transaction. Furthermore, for two journals, sufficient supporting documentation was not provided at the time of input. All journals should contain adequate narrative and supporting documentation. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	Work completed - documented our understanding of processes and key controls over the transaction cycle - ~~un~~dertaken walkthrough of the key controls to assess whether those controls are designed effectively - testing of unrecorded liabilities - reviewed goods received but not invoiced and tested as appropriate - assessed the Council's accruals methodology and the reliability of the estimate used.	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	Work completed - documented our understanding of processes and key controls over the transaction cycle - ~~un~~dertaken walkthrough of the key controls to assess whether those controls are designed effectively - reviewed the reconciliation of payroll costs to the general ledger - completed an analytical review of monthly payroll trends - tested a sample of payments back to prime records.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefit expenditure improperly computed	Work completed - documented our understanding of processes and key controls over the transaction cycle - ~~un~~dertaken walkthrough of the key controls to assess whether those controls are designed effectively - reviewed the reconciliation of the expenditure recorded in the accounts to the benefits system - reviewed the reconciliation of the expenditure recorded in the accounts to the housing benefit claim - completed testing of all HB COUNT modules specified by the Department of Work and Pensions. A sample of individual claims were tested in line with Module 3 guidance.	Our audit work has not identified any significant issues in relation to the risk identified.

New issues and risks identified during the course of the audit

This section provides commentary on new issues and risks which were identified during the course of the audit and were not previously communicated in detail in the audit plan.

	Issue	Commentary
1.	**Accounting for schools** In our audit plan we identified changes in the recognition of school land and buildings in the balance sheet. CIPFA/LASAAC have recently updated their guidance to clarify the accounting requirements for local authority maintained schools and we identified a risk that the Council might not correctly implement the changes in treatment.	Prior to drafting the accounts the Council provided us with their provisional assessment of their proposed accounting for voluntary aided, voluntary controlled and foundation schools' buildings setting out their judgements. We reviewed this and concluded that the assessment was mainly based on the legal position rather than substance over form. During the final accounts audit, we sought evidence to show that issues other than the legal position had been fully considered. A detailed assessment, by school, was provided towards the end of our audit, which set out the key issues that required consideration. These issues related to International Accounting Standard 16 (Property Plant and Equipment), International Accounting Standard 17 (Leases) and IFRIC 4 (Determining if an arrangement contains a lease). The Council has predominantly focussed on the legal form of ownership rather than substance over form in considering the accounting treatment in practice. However, it has considered the relevant issues and reflected these in its accounting policy. Details of the Council's accounting policy are set out on page 16. Schools are significant components forming part of the Council's group operations, although they are accounted for within the single entity accounts. To comply with auditing standards and obtain appropriate audit evidence we adopted a targeted approach, testing a sample back to underlying records for appropriateness of treatment. Our work has not identified any issues in respect of accounting for schools.

Significant matters discussed with management

	Significant matter	Commentary
1.	Supporting the going concern assessment	In the absence of a medium term financial plan, we have considered management's assumption that the Council's accounts should be prepared on a going concern basis. We are satisfied that it is appropriate to prepare the 2014/15 accounts on a going concern basis. **Management response** The Council is in the process of developing a medium term financial plan for the four years starting 2016/17. It was a deliberate decision to delay this process until after the national and local elections. A wide ranging strategic review has been undertaken in support of the development of the medium term financial plan. This has, despite the obvious financial challenges ahead, provided management and members with assurance that the Council's financial position is reasonably sound, especially given the level of reserves currently held. Management are therefore of the view that it is reasonable to prepare the accounts on a going concern basis.

Significant matters discussed with management (continued)

	Significant matter	Commentary
2.	Accounting standards: Property, plant and equipment	We have discussed the valuation of land and buildings and, more widely, the Council's accounting practices in relation to property, plant and equipment. This was as a result of the number of issues that we identified as part of our 2014/15 audit. Page 26 of the accounts sets out the value of the Councils PPE assets and information on its rolling programme of revaluations. This identifies a valuation of land and buildings assets of £219m (gross book value) at 31 March 2015. This shows that £82.5m (40%) of the £206.8m (net book value) land and building assets were revalued in 2014/15. However, the Valuation Report provided to us on 31 July 2015 to support these figures identified that only £37.8m of £198.9m (after adjustments) was revalued in line with RICS (Royal Institution of Chartered Surveyors) requirements. Of the remaining assets, £27.5m were revalued using indices. Voluntary Aided and Controlled schools of £14.4m were valued on the basis of a desk-top review. The valuation report therefore highlighted a number of issues: • The total valuation for inclusion in the Statement of Accounts per the Valuer's Report is £198.9m compared to a figure in the Accounts of £206.7m; • Only £37.8m of land and building assets were valued in accordance with the requirements set out in the Code; • A range of valuations between £169.1m and £228.8m was provided. Therefore, £120.5 million of land and buildings assets were not valued in year. Management's view is that the value of these assets remain reasonably stated within the accounts. However, in addition to the Valuation report, the valuers have produced a 'Global Impairment' report which identifies that, if appropriate indices were applied to these assets that reflect the change in general values over time, the value of these asset could increase by £15m. In addition, enhancing capital expenditure of £21m has been incurred on assets that had not been revalued. Taking all of these factors in account, gives an indication that the value of land and buildings reported in the draft accounts was materially mis-stated and that a value of £234m was more appropriate, although this relied on the use of indices as a method of valuations which is not in accordance with the Code. A considerable amount of work has been undertaken in the last year to ensure that the carrying value of property, plant and equipment (PPE) disclosed in the accounts is not materially mis-stated from their fair value. After significant additional audit work and liaison with finance and valuation officers, we are satisfied that the values reported in the accounts are not materially different to the fair value. However, in some instances, the Council has adopted a valuation method that is based on the use of indices. As noted above, this is not consistent with the Code on Local Authority Accounting which requires valuation methods to be in accordance with RICS valuation standards. **Management response** Management's view is that there is inherent uncertainty in valuations as they are subjective. The in house valuer has provided a report which provides for a range of valuations, within which the figure disclosed in the accounts fell. Management were therefore satisfied that the figure in the draft accounts was not materially misstated. However, it was accepted that indices suggested that the disclosed figure was understated and, as a result, the figure disclosed in the accounts has been amended.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Accounting policies - Revenue recognition	Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.	Policy, in terms of accruals, is in line with the CIPFA code. However, the policy does not list the major income streams and how each is accounted for. We recommended that the policy is amended to include this information.	● Amber
Accounting policies - Estimates and judgements	Key estimates and judgements include: • pension fund valuations and settlements • revaluations • impairments • overheads and support services.	We have commented in previous years about the basis for overheads not being reviewed. Action has been taken in 2014/15 and changes to the basis of overhead apportionment have been reflected in the 2014/15 accounts. Revaluations and impairments are considered on page 14. Other estimates and judgements are considered to be reasonable. We identified a specific issue in relation to an asset that was disposed of during the year. The asset was not revalued prior to sale as, we understand, management considered that the sale was unlikely to occur within 12 months. This may have resulted in a misstatement of the gain on disposal. Whilst, the overall impact on the accounts was nil, all assets should be revalued prior to sale.	● Amber

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Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Judgements - local authority maintained schools premises	**Revenue** The Council oversees a range of maintained schools, such as Voluntary Aided schools and Voluntary Controlled schools. The Council has included all income and expenditure and liabilities of these schools in the accounts. Academy schools are treated outside of the Council's accounts from the date of the transfer. Further to the requirement for all Authorities to review the accounting treatment of Voluntarily Aided / Controlled schools; the Council has adopted the following policy for the accounting treatment of Non-Current Assets Used by Local Authority Maintained Schools that fall within the Authority's boundary in the 2014-15 Financial Statements. **Capital** The Council's adopted policy in the 2014-15 Financial Statements for the accounting treatment of Non-Current Assets Used by Local Authority Maintained Schools that fall within the Authority's boundary is as follows. i. Where assets are fully transferred to a Diocese or Trustee Body and there is strong supporting evidence of a transfer, the Authority will not include these assets on its Balance Sheet. ii. Where elements of an asset are retained by the Authority and there are Land Titles to support this, the Authority will include these as assets on its Balance Sheet. iii. Where transfer to a Diocese or Trustee Body is not complete or pending, the Authority will include these assets on its Balance Sheet. iv. Where there is no evidence to support transfer to a Diocese or Trustee Body, the Authority will include these assets on its Balance Sheet	• The Council has predominantly focussed on the legal form of ownership rather than substance over form in considering the accounting treatment in practice. However, it has considered the relevant issues and reflected these in its accounting policy. • The Council's policies are appropriate given the requirements set out in the Code and accounting standards. However, the Council should routinely assess the substance over form of each of the voluntary aided or controlled schools to ensure that the accounts accurately reflect the true nature of the underlying activities and not just rely on the legal considerations. • The accounting policy is reasonably disclosed. • The Council's policy resulted in a reduction of £6.04 million in the value of non-current assets.	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. However, this policy is not disclosed in the accounts.	The accounts state that they have been prepared on a going concern basis. There is a balanced budget for 2015/16 and the work undertaken by the Council on the medium term financial plan gives reasonable assurance for 2016/17. Revenue reserves totalled £62.5 million at 31 March 2015. Whilst the decision to prepare the accounts on a going concern basis is reasonable, the rationale for this decision should be more clearly disclosed.	● Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Accounting Policies, Estimates & Judgements– review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	**Estimates and judgements - Property, Plant & Equipment** In previous years the Council carried out a rolling programme of revaluations, with the date of the valuations varying between 2010 and 2014. This approach was similar to many other authorities. As we reported last year, in our view a rolling programme of valuations does not meet the Code's requirement to value items within a class of property, plant and equipment (PPE) simultaneously. The Code requirement, which is based on IAS 16 Property, Plant and Equipment, only permits a class of assets to be revalued on a rolling basis provided that: • the revaluation of the class of assets is completed within a 'short period' • the revaluations are kept up to date. In our view, we would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year.	Whilst the accounts discloses 'other land and buildings' as an asset class, there are a number of sub-classes that are used for valuation purposes. The finance and property teams have taken action in 2014/15 to ensure that all assets in a class, or sub-class, of asset are revalued at the same time. To bring asset valuations into line, indexation was applied to a number of assets. The use of indexation is contrary to Code requirements, but by taking this action, the valuation of all assets in a class are aligned and revaluations will be undertaken at the same time.

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Assessment
✓ Action completed
X Not yet addressed

Accounting Policies, Estimates & Judgements– review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
2.	✓	There was insufficient communication between the finance team and the valuer, which resulted in the valuer doing what they thought needed to be done, rather than what was actually required . We therefore recommended that finance should clearly set out for the valuers what is required from the valuation.	Instruction letters have been issued to Property by Corporate Finance (CF) and are signed off by both parties: • There Is unique referencing for ease of communication • Details the reason for valuation to be undertaken (specific to the data set) • Details number of assets to be valued • Confirm dates agreed for valuation return The instruction letter is accompanied by clear Asset Schedules which : • Are uniform in their presentation and require explanation of change in valuation. • Require direct input of new valuations by Property to reduce manipulation of data and facilitate easier reconciliation • Includes data held on Corporate Asset Register (CAR) to be included in review In addition a Valuation Board is being held on a monthly basis where: • the progress of Valuation Schedules is reviewed • issues from CF & Property raised & discussed Meeting of the Valuation Board are attended by senior officers as required.

Assessment
✓ Action completed
X Not yet addressed

Accounting Policies, Estimates & Judgements– review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
3	✓	Non –enhancing expenditure should not be capitalised as it does not increase the value of the asset. By capitalising such costs, there is a risk that the value for property, plant and equipment may be overstated. We recommended that non-enhancing capital expenditure should be clearly identified.	A review of enhancing / non enhancing expenditure was undertaken through a review of expenditure incurred and where necessary asset values written down. In addition, where significant capital expenditure is spent on an asset in a year, this will be included in valuation instructions for the following year.
4	✓	We identified differences between the fixed asset register and the property register, which can lead to assets being incorrectly included in the valuer's report and in the accounts. The two registers should agree or, if this is not possible, clearly reconciled.	These were fully reconciled in 2014/15.
5	✓	Ensure that the valuer's report clearly meets the requirements of finance and audit for the annual accounts i.e. it should explain which assets have been reviewed, on what basis they have been valued and should provide an explanation of any significant movements.	The valuer's report followed the format of the asset schedules and explanations of the significant movements were included.
6	✓	Ensure that all of the Council's assets, and only the Council's assets, are included on valuation reports produced for accounts purposes.	This was reviewed as part of the reconciliation completed.

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Assessment
✓ Action completed
X Not yet addressed

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Corporate Audit Committee and have not been made aware of any significant fraud related issues. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A letter of representation has been requested from the Council. No specific representations were required.
4.	**Disclosures**	• Our review found no non-trivial omissions in the financial statements.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed
6.	**Confirmation requests from third parties**	• We obtained direct confirmations from PWLB and Arling Close for loans. We obtained direct confirmation for bank balances from Royal Bank of Scotland and investment balances from 13 different bodies.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Welfare Benefits as set out on pages 10 and 11. In relation to welfare benefit expenditure we identified that checking all new 'in person' claims to supporting information was only in place for around half of the year. This resulted in us having to undertake further work to support our audit opinion. However, as the control is now place, no recommendations have been made.

In addition to our work on the risk areas identified on pages 10 and 11, we also undertake a review of the Council's controls over information management and technology. The matters that we identified during the course of our audit have been reported to management.

	Assessment	Issue and risk	Recommendations
1.	● Amber	In undertaking our testing of operating expenses we identified that the employment of a contractor working as part of the Young Persons Safeguarding Team did not follow the Council's procedures for such employment. Employment checks were not undertaken and the appointment was not referred to the procurement team. The individual has since found employment with the Council.	Staff should be reminded of the proper processes to follow, especially in relation to sensitive posts.

Assessment

● Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	Complex passwords containing lower, upper case, alphanumeric and special characters should be enforced for payroll application users with a minimum password length of 8 characters.	Password strength in payroll system has been addressed and, we understand that this has been carried across to the new Payroll system, which was implemented in April 2015.
2.	X	Introduce a procedure to ensure the IT department is informed of all leavers at the earliest opportunity to enable timely account removal.	A leaver form is completed by line management and a list of leavers is sent out periodically from HR to system administrators to enable the removal of leaver accounts. However, the IT department still do not receive automatic leaver notifications to enable timely removal/deactivation of leaver accounts from the network and application systems.
3.	✓	Administrative access should be removed from payroll management staff to maintain appropriate segregation of duties within the system.	Our follow up review was undertaken in March 2015. At that time, we were informed that this issue would be addressed in the new system to be introduced in April 2015. We will follow up this issue again as part of our 2015/16 audit.

Assessment
✓ Action completed
X Not yet addressed

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	The balance on the cashier's suspense account had not be allocated to the debtor's control account. This resulted in both debtors and creditors being overstated by £2.636 million.	Nil	Cr Debtors £2,636 Dr Creditors £2,636	Nil
2	By reference to available indices, there was an indication that the gross book value of land and buildings was materially misstated. The indices were used to bring valuations up to date, although it should be noted that contrary to the Code as all valuations should be based on RICS Valuation Standards.	Cr £15,304	Dr £15,304	Nil
	Overall impact	**£Nil**	**£Nil**	**£Nil**

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Misclassification	1,922	Grants	A grant valued at £1.922 million was credited to both the Education Services Grant line and the Education Funding Agency line. As a result, the Other Grants line was understated.
2	Misclassification	1,864	Debtors	Debtors relating to BWR gas holder loan and Wilmington Solar Farm have been moved from Short Term Debtors to Long Term Debtors.
3	Misclassification	2,636	Financial instruments	As per point 1 on page 24, the balance on the cashier's suspense account had not be allocated to the debtor's control account. This resulted in both Debtors and Creditors being overstated by £2.636 million.
4	Disclosure	3,560	Financial instruments	Cash and bank balances were incorrectly excluded from Financial Instruments.
5	Disclosure	2,657	Adjustment between accounting basis and funding basis (Note 7)	Section 106 contributions were incorrectly included in Other Expenditure rather than Capital Contributions Unapplied
6	Disclosure	5,706	Property, plant and equipment	A number of lines in Note 12 (property, plant and equipment) were either under or overstated due to the incorrect treatment of a downward revaluation. There was no overall impact on the net book value.
7	Disclosure	Various	Contingent liabilities	With the exception of the contingent liability relating to the Leisure Trust, all contingent liabilities were removed as they were not material.

Section 3: Value for Money

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted that the financial plan for 2014/15, which included savings of £12.7 million, were delivered. A balanced plan is in place for 2015/16 but for 2016/17 and beyond a plan is still to be developed.

2015/16 is the final year of the Authority's medium term financial plan. The Authority has undertaken a strategic review, looking at all aspects of the Authority's services, which will underpin the next medium term financial plan covering the four year period from 1 April 2016. Detailed proformas have been produced setting how savings can be made or additional income obtained. The assumptions made have been challenged to ensure that the proposals are robust.

Robust budget setting and monitoring arrangements are in place. Progress with the budget is reported monthly to senior management and Cabinet enabling actions to be taken quickly in relation to developing spending pressures.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that there are good processes in place, involving both management and members, to ensure that resources are appropriately prioritised. The Authority also consults with stakeholders, including the public., which helps to ensure that different perspectives are considered when setting the budget and medium term plan.

Management make good use of benchmarking to identify areas for potential savings.

Value for Money

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	**Inadequate arrangements**

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	There are no liquidity problems and borrowing is in line with plans. Reserves are set at a reasonable level. Excluding schools balances, there are £50.5 million of earmarked reserves in addition to the general fund balance of £8.9 million. The Authority reported an underspend of £480,000 for 2014/15.	**Green**
Strategic financial planning	2014/15 is the second year of the three year medium term financial plan (MTFP). The plan has not been updated for 2016/17 and beyond, so 2015/16 is the final year. The plan clearly sets out the impact of Government grants, both positive and negative. Appropriate assumptions have been made for pay awards, inflation and interest. Management are working on the development of a medium term plan for 2016/17 and the subsequent three years. A detailed strategic review has been undertaken to identify areas in which savings can be made or additional income generated. The total savings required for 2014/15 were £12.7 million of which £1.82 million were new savings i.e. over and above the amount agreed when the plan was approved. We acknowledge that significant work has been undertaken to develop a fully costed and balanced MTFP, which is due to be presented to the Council for approval in February 2016. The plan reflects update budget assumptions, including those relating to pay and other inflation. Once approved by Council, this would change our assessment to green.	**Amber**

Theme	Summary findings	RAG rating
Financial governance	The medium term service resource plans (for 2015/16) were considered by Policy Development and Scrutiny panels in November 2014. The papers contained an appendix summarising the financial context. This helped to ensure that members have a good understanding of the Council's financial environment. Quarterly reports are provided to Cabinet. Appendix 1 highlights significant areas of forecast over and under spends in revenue budgets, whilst Appendix 2 outlines the current revenue financial position. Corporate Finance maintain a detailed record of progress with savings plans. Progress with key savings plans is included in budget reports to Cabinet.	**Green**
Financial control	The budget is built up from detailed plans and has moved away from targets and top slicing to incorporate a greater focus on resourcing priority services and adopting a zero based approach. The approach challenges the allocation of resources. Progress with the budget is reported monthly to senior management and Cabinet enabling actions to be taken quickly in relation to developing spending pressures. Reserves have not been used to balance the budget. Revenue reserves as at 31 March 2015 are at a similar level to 31 March 2014. Overspending or shortfalls in income have not been significant issues in 2014/15. Whilst there have been some departmental overspends, these have been matched by underspends or additional income in other documents, which mean that additional savings did not need to be identified. The Council has a good record in delivering savings. In 2014/15 the Council planned for savings of nearly £11 million and this was achieved.	**Green**
Prioritising resources	Service departments develop medium term service and resource plans which are then presented to Member 'Policy Development and Scrutiny panels' (PDS). There are a number of panels which focus on the different services. Challenge from these panels is to the Portfolio holder. There has been significant consultation with stakeholders. The 2015/16 budget report notes that "feedback from the individual PDS panels, the four Budget Fairs, the community, trade unions and other stakeholders has been considered by the Cabinet in arriving at the proposed Budget for 2015/2016".	**Green**
Improving efficiency & productivity	The Council uses the CIPFA VFM (Value for Money) Toolkit extensively to review the value for money of the Council and financial performance against other local authorities.	**Green**

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. and additional indicators identified by ourselves. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual risk identified	Summary findings	RAG rating
Focus of the MTFP	A balanced budget has been set for 2015/16, but there isn't a medium term financial plan beyond 2015/16. The budget considers key issues such government funding, demand for services and demography. Significant work has been undertaken to develop a fully costed and balanced MTFP, which is due to be presented to the Council for approval in February 2016.	**Amber**
Adequacy of planning assumptions	The budget includes assumptions about key issues such as pay awards, inflation and interest rates. The assumptions made are reasonable, or were reasonable at the time of the presentation. With regard to pay awards, the Council had assumed that there would be an end to public sector pay constraint, but since the General Election it is clear that this is not the case. The budget paper also includes a section on 'Future Years 2016/17 to 2019/20', which considers issues such as government grant funding, increases in employer's national insurance and the Care Act.	**Amber**
Scope of the MTFP and Links to Annual Planning	The budget is ordinarily presented at the same time as the update to the medium term financial plan and therefore is consistent. However, as noted above 2015/16 is the last year of the medium term financial plan. The capital programme is included as part of the budget presentation. The proposed medium term financial plan is clearly linked to the corporate plan as each savings plan is referenced to the relevant corporate objective.	**Amber**
Review processes of the MTFP	The medium term financial plan is ordinarily reviewed on an annual basis. However, the decision was taken to delay the review of the medium term financial plan until after the local and general elections. However, an assessment was made of the savings likely to be needed over the four year period from 2016/17. The assumptions underpinning this assessment have been reviewed so that the medium term plan is soundly based.	**Amber**
Responsiveness of the MTFP	The 2015/16 budget makes reference to consideration of the risks and also makes reference to modelling, for instance in relation to NNDR. However, as there currently isn't a medium term financial plan, it is not possible to conclude as to whether or not the main risks have been assessed an over an appropriate timescale. Through the strategic review, the Council has challenged delivery methods and considered alternative options.	**Amber**

Section 4: Fees, non-audit services and independence

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	165,109	165,109
Grant certification on behalf of Audit Commission	18,340	To be confirmed
Total audit fees	**183,449**	**To be confirmed**

Fees for other services

Service	Fees £
Audit related services	
Teachers' pensions (2013/14) return	4,200
Regional Growth Fund returns	9,150

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Rec No.	Issue, risk and recommendation	Priority	Management response	Implementation date & responsibility
1	Other than the fixed asset register, there isn't a full listing of infrastructure assets. This will need to resolved in the coming months so that the Council can undertake the required valuation and establish the opening balance sheet position. Establish a full listing of infrastructure assets.	High	A project is underway in preparation for the new treatment of transport infrastructure required by 2016/17 Accounting Code. This will incorporate the inventory of assets currently maintained by the Highways Department. Disclosures for the new standard are needed for 2015/16 financial statements.	June 2016 Corporate Finance Manager
2	For heritage assets, curator valuations are not confirmed as correct at the balance sheet date. This may lead to misstatement of heritage assets. Curator valuations should be confirmed as correct at the end of the financial year.	Medium	We will review how Heritage Asset values are reported in financial statements within the bounds of materiality and cost for 2015/16.	June 2016 Corporate Finance Manager
3	There are a small number of areas in which the foreword to the accounts did not meet Code requirements e.g. comparison of budget against actual. Ensure that Code requirements are fully understood prior to drafting the 2015/16 foreword.	Medium	We will address these in the 2015/16 financial statements	June 2016 Corporate Finance Manager
4	The accounts have been prepared on a going concern basis. However, the accounts do not disclose the basis for this. Clearly disclose the rationale on which the accounts are prepared on a going concern basis.	Medium	We will address this in the 2015/16 financial statements	June 2016 Corporate Finance Manager

Priority
High, Medium or Low

Appendix A: Action plan (continued)

Rec No.	Issue, risk and recommendation	Priority	Management response	Implementation date & responsibility
5	A property asset disposed of during the year was not revalued prior to sale as, we understand, the sale was unlikely to occur within 12 months. This may have resulted in a misstatement of the gain on disposal. The overall impact on the accounts was nil. All assets should be revalued prior to sale.	Low	Valuations currently undertaken as assets are prepared for sale and will be formally requested for inclusion in the Valuer's report.	Sept 2015 Corporate Finance Manager
6	A number of journals were input without an adequate description of the transaction. Furthermore, for two journals, sufficient supporting documentation was not provided at the time of input. All journals should contain adequate narrative and supporting documentation.	Medium	Finance Staff will be reminded of the requirement for adequate narrative and supporting documentation.	Sept 2015 Corporate Finance Manager.
7	In undertaking our testing of operating expenses we identified that the employment of a contractor working as part of the Young Persons Safeguarding Team did not follow the Council's procedures for such employment. Employment checks were not undertaken and the appointment was not referred to the procurement team. The individual has since found employment with the Council. Staff should be reminded of the proper processes to follow, especially in relation to sensitive posts.	High	Staff will be reminded of the proper processes that need to be followed.	Oct 2015 Head of Human Resources

Priority
High, Medium or Low

Appendix A: Action plan (continued)

Rec No.	Issue, risk and recommendation	Priority	Management response	Implementation date & responsibility
8	The valuer's report was not provided until 31 July, a month after the draft accounts were produced and the audit started. Timely delivery of this report will be even more important in the future as the deadline for the draft accounts is to be brought forward to 31 May. The valuer's report should be provided in advance of preparation of the draft accounts.	High	We understand the need for this evidence to be formalised before the draft accounts are produced. No changes to underlying valuations were made in 2014/15 after the draft statement of accounts.	May 2016 Head of Property Service
9	The total value of assets in the fixed asset register did not agree to the values in the property register. The difference was primarily due to capital expenditure incurred during the year, but the two registers were not fully and clearly reconciled. The two documents should be fully reconciled at gross book value level.	High	There is only one fixed asset register supporting the Statement of Accounts. The Gross Book Value (GBV) reflects all capital movements including new valuations undertaken along with in-year expenditure, transfers and disposals. There will always be a timing difference between valuations carried out at a fixed date of 1st April, new capital spend in year and valuer's re-examining spend as complete and enhancing. This is particularly the case within a five year valuation programme. All this information is available at an individual asset level, but we will continue to develop our summary reporting to enhance the link between GBV and Valuations.	June 2016 Corporate Finance Manager

Priority
High, Medium or Low

Appendix A: Action plan (continued)

Rec No.	Issue, risk and recommendation	Priority	Management response	Implementation date & responsibility
10	The revenue recognition policy, in terms of accruals, is in line with the CIPFA code. However, the policy does not list the major income streams and how each is accounted for. We recommend that the policy is amended to include this information.	Medium	We will address this in the 2015/16 financial statements.	Corporate Finance Manager June 2016

Priority
High, Medium or Low

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BATH AND NORTH EAST SOMERSET COUNCIL

We have audited the financial statements of Bath and North East Somerset Council for the year ended 31 March 2015 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, the 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 2014/15.

This report is made solely to the members of Bath and North East Somerset Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our 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 also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the foreword to the accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Bath and North East Somerset Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the foreword to the accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we 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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are 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 ended 31 March 2015.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

[Signature]

Barrie Morris
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House
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Bristol
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xx September2015

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Grant Thornton

The Audit Findings for Avon Pension Fund

Year ended 31 March 2015

25 September 2015

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25 September 2015

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Dear Members

Audit Findings for Avon Pension Fund for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Avon Pension Fund, the Audit and Governance Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Barrie Morris, Director.

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Avon Pension Fund's (the Fund) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2015.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Our audit is substantially complete although we are finalising our work in the following areas:

- completion of final specialist partner review,
- obtaining and reviewing the final management letter of representation, and
- updating our post balance sheet events review, to the date of signing the opinion.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the Fund's financial statements.

The key messages arising from our audit of the Fund's financial statements are:

- Working papers are generally of a high standard,
- The draft accounts were presented for audit in accordance with the agreed timetable and contained minimal errors. This demonstrates good quality.

We have identified one adjustment affecting the Fund's reported financial position. In addition, we have agreed with officers some minor adjustments to improve the presentation of the financial statements.

Further details are set out in section two of this report.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Pension Fund and the Council as the administering authority.

Findings

There is one area where control weaknesses have been noted. This relates to a number of manual adjustments relating to journals and the bank reconciliation. Further details can be found in the Internal Controls Section of this report.

The way forward

Matters arising from the financial statements audit have been discussed with the Pension Fund Finance and Systems Manager and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Governance Committee of 27 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you.

Audit opinion

We provide two opinions on the Pension Fund, as follows:

- an audit opinion on the Pension Fund financial statements included in the Council's Statement of Accounts
- an opinion on the Pension Fund financial statements included in the Pension Fund Annual Report, which confirms if these financial statements are consistent with the financial statements in the Statement of Accounts

Our proposed audit opinion on the Pension Fund financial statements in the Statement of Accounts is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition	We rebutted this presumption during the interim phase of the audit, and this was communicated to members as part of the audit plan.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management, • testing of journal entries, and • review of unusual significant transactions.	Our audit work has not identified any evidence of management override of controls. However, our review of journal controls has identified a control issue, which will be detailed in the Internal Controls section of the report. We set out later in this section of the report our work and findings on key accounting estimates and judgments.
3.	**Level 3 Investments – Valuation is incorrect.** A level 3 investment is one where at least one input that could have a significant effect on the value of the investment is not based on observable market data. The most common example of which are investments in private equity, which are valued using various estimation techniques.	• documented our understanding of processes and key controls over the transaction cycle, • reviewed the control reports from all fund managers with level 3 investments, • tested level 3 investments by obtaining and reviewing audited accounts at latest date for individual investments and agreeing these to the fund manager reports, • reviewed the qualifications of fund managers as experts to value level 3 investments, • reviewed the nature of estimated values and the level of assurance that management has over level 3 investments.	Our audit work has not identified any significant issues in relation to the risk identified. We have been able to gain assurance over Level 3 investment balances through agreeing investment values presented in the accounts to those provided by the custodian and individual fund managers, We note that the audited financial statements of the Gottex Value Added Fund were qualified by the Gottex fund auditors. However, the qualification related to a specific fund in which Avon Pension Fund is not invested and therefore this does not affect the value of Avon Pension Fund's investment.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	We have undertaken the following work in relation to these risks: • documented our understanding of processes and key controls over the transaction cycle, • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding, and • we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances.	Our audit work has not identified any significant issues in relation to the risks identified.
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	We have undertaken the following work in relation to these risks: • documented our understanding of processes and key controls over the transaction cycle, • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding, • We have confirmed investment market values to independent pricing sources; and • we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances.	Our audit work has not identified any significant issues in relation to the risks identified.

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Contributions	Recorded contributions not correct. (Occurrence)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested key controls over the contributions made to the fund, • Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence, and • Performed an analytical review on contributions to ensure that any unexpected trends are satisfactorily explained.	During the course of our audit the Pension Fund reached an agreement with Bristol City Council (BCC) as to the treatment of an overpayment of contributions made by BCC in 2013/14. During the audit a further contribution overpayment of £2.3m was identified in 2014/15 from BCC. Although the amounts are not material to the Pension Fund audit, the financial statements have been amended to ensure consistency between BCC and the pension fund's final accounts. Details of the adjustments made are in the adjusted misstatements table. Our audit work has identified one employer who was erroneously omitted from Note 26. Employing Bodies. This has now been corrected. Other than the issues identified above there have been no significant issues in relation to the risk identified.
Benefit payments	Benefits improperly calculated/claims liability understated	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested key controls for member to be enrolled on the scheme, • Tested a sample of individual pensions in payment by reference to member files, and • Rationalised pension paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Member Data	Member data not correct. (Rights and obligations)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested key controls over changes to the pension fund data set, and • Tested a sample of changes to member data made during the year to source documentation.	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	There are two key policies in relation to revenue recognition: that for contribution income and that for investment income. Normal contributions are accounted for in the payroll month to which they relate. Investment income from equities is accounted for on the date stocks are quoted ex-dividend. Income from fixed interest and index-linked securities, cash and short term deposits is accounted for on an accruals basis, as is income from other investments.	• The policies are considered appropriate under the accounting framework in place.	● Green
Estimates and judgements	Because of the nature of the fund no significant accounting judgements have been made, with all judgements following the requirements set out in the Code. The fund has a material balance of investments with significant unobservable inputs. The valuation of these investments is subject to varying degrees of estimation uncertainty. The fund discloses the differing methods of valuation for these funds within the accounting policies. In each case the Fund choses to rely on the valuation provided by the fund manager.	• The policies are considered appropriate under the accounting framework in place. • Sufficient assurance has been provided by either the experts used for valuing the fund, or we have been able to agree valuations to third party evidence. .	● Green

Assessment

- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

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Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate and disclosures sufficient
- ● Accounting policy appropriate but scope for improved disclosure

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A letter of representation has been requested from the Fund.
4.	**Disclosures**	• Our review found no non-trivial omissions in the financial statements.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed.
6.	**Confirmation requests from third parties**	• We obtained direct confirmations from all of the investment managers, banks and the custodian of the fund. Positive confirmation was received from all parties.
7.	**Going concern**	• Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for level 3 investment valuation, investment income, investment values, contributions, benefits payable and member data as set out on page 9 above.

The matters that we identified during the course of our audit are set out in the table below:

	Assessment	Issue and risk	Recommendations
1.	● Amber	As part of our testing of journals it was not possible to extract a journals listing which contains only journals relating to the Pension Fund and does not include journals relating to B&NES Council. In order to compile a list which contains only pension fund journals, manual adjustment of the journals listing is required. This increases the risk of journals being omitted from the listing provided to audit, due to fraud or error. Additionally, due to the Fund being part of the Council's accounts in the ledger, the bank reconciliation is calculated from the bank balance, rather than the cash book balance as the cash book contains B&NES and Fund transactions which need to be separately identified. The difference between the cash book and bank account balance is trivial at £15k.	It is recommended that the Council consider separating the Pension Fund within the Agresso ledger system, in order to allow separate identification of pension fund transactions and balances.

Unadjusted misstatements

The table below provides details of adjustments identified which have not been made within the final set of financial statements. The audit committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Impact on accounts	Reason for not adjusting
1	None	None	None
	Overall impact	**£0**	

Adjusted misstatements

One adjustment to the draft financial statements has been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the financial statements.

Detail	Fund Account £'000	Net Asset Statement £'000	Impact on net assets carried forward £000
Bristol City Council overpaid its contributions in 2013/14 and 2014/15 totalling £4,524k. It has been agreed that these will be repaid and therefore this has reduced contributions received in the Fund account and increased creditors in the Net Asset Statement, therefore reducing net assets carried forward.	4,524	4,524	4,524
Overall impact	**£4,524**	**£4,524**	**£4,524**

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Account balance	Impact on the financial statements
1	Presentation and disclosure	N/A	Our review of the Employing Bodies list contained within note 26 highlighted the omission of Action for Children. Management confirmed this had been omitted in error and it has now been corrected.
2	Presentation and disclosure	N/A	Admin and processing expenses in Note 8 of the accounts was misstated. The original accounts showed a figure of £1,996k. This has been amended to the correct figure of £2,804k. There was no effect on the account balances.
3	Presentation and disclosure	Various	Our review of the accounts highlighted some minor improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. The proposed minor adjustments were agreed with the Fund and changes have been made to the draft accounts submitted for audit. Examples include including a reference to the introduction of the Career Average Revalued Earnings (CARE) under operations and membership, to update the note referring to the delay in the introduction of IFRS 13, and to update the regulations disclosed in the introduction. This is in addition to the need to tidy up formatting and some punctuation prior to publication.

Section 3: Fees, non-audit services and independence

Fees, non-audit services and independence

We confirm below our final fees charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Pension fund scale fee	30,116	30,116
Total audit fees		

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 4: Communication of audit matters

01. Executive summary
02. Audit findings
03. Fees, non-audit services and independence
04. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

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Appendices

Appendix A: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	**Manual adjustments to journal reports and bank reconciliation** It is recommended that the Council consider separating the Pension Fund within the Agresso ledger system, in order to allow separate identification of pension fund transactions and balances.	M	The Council will consider the options which may be available to separate the Pension Fund within the Agresso system. Any decision on this will then be based upon an appraisal of the benefits and impacts.	Martin Phillips - Ongoing

Appendix B: Audit opinion

We anticipate we will provide the Fund with an unmodified audit report on the Pension Fund

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BATH AND NORTH EAST SOMERSET COUNCIL

We have audited the pension fund financial statements of Bath and North East Somerset Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Pension 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 2014/15.

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, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Strategic Resources and auditor

As explained more fully in the Statement of Responsibilities, the Director of Strategic Resources is responsible for the preparation of the Authority's Statement of Accounts, which include 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the pension fund 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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Strategic Resources; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information and the annual report to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015,and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the annual report for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements

Barrie Morris
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House
55-61 Victoria Street
Bristol B61 6FT

September 2015:

Grant Thornton

grant-thornton.co.uk

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BATH & NORTH EAST SOMERSET COUNCIL

STATEMENT OF ACCOUNTS 2014/15

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BATH & NORTH EAST SOMERSET COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Bath and North East Somerset Council for the year ended 31 March 2015 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, the 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 2014/15.

This report is made solely to the members of Bath and North East Somerset Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Divisional Director of Business Support and Chief Finance Officer's Responsibilities, the Divisional Director of Business Support and Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our 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 also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Divisional Director of Business Support and Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Foreword to the Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

* give a true and fair view of the financial position of Bath and North East Somerset Council as at 31 March 2015 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 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the Foreword to the Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we report by exception

We report to you if:

* in our 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; or
* we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
* we 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; or
* we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we 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

We have undertaken our 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 2014, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, and having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are 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 2015.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Barrie Morris
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House
55-61 Victoria Street
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BS1 6FT

28th September 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BATH & NORTH EAST SOMERSET COUNCIL

Opinion on the pension fund accounting statements

We have audited the pension fund financial statements of Avon Pension Fund for the year ended 31 March 2015 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 2014/15.

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. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Divisional Director of Business Support and Chief Finance Officer’s Responsibilities, the Divisional Director of Business Support and Chief Finance Officer is responsible for the preparation of the Authority’s Statement of Accounts, which include 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the pension fund’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Divisional Director of Business Support and Chief Financial Officer; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our 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 2015 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2015 and
* have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the foreword to the accounts for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Barrie Morris

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

Hartwell House
55-61 Victoria Street
Bristol BS1 6FT

28th September 2015

FOREWORD TO THE ACCOUNTS

Introduction

The Statutory Statement of Accounts have been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards.

The Accounts and Audit Regulations 2003 require that the Statement of Accounts shall be approved by a resolution of a Committee of the relevant body and that following approval, the Statement of Accounts be signed and dated by the person presiding at the Committee.

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 provide answers to the following questions:

- 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

The Comprehensive Income and Expenditure Account summarises the resources that have been generated and consumed in 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 2015.

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 the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to precepting bodies.

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.

General Review

Summary of the Council's financial performance

The 2014/15 budget included the delivery of over £10m of savings which have been achieved. The Council underspent its revenue budget by £476k in 2014/15, which after allowing for the proposed carry forwards reduces to an overall outturn position underspend of £54k.

The outturn position reflects that funding of some one-off costs relating to service transformation and the delivery of planned savings have been offset against underspends achieved during the year rather than using earmarked reserves.

The main areas contributing to the underspend relates to another exceptional return generated by the Heritage estate, with even higher visitor numbers than the previous year, an underspend against the corporate budget provision in respect of the Council's Pensions Deficit Contribution, and service underspends in parking and learning and inclusion.

The Next Twelve Months & Medium Term Outlook

The Council's current Medium Term Service and Resource Plan covers the three year period 2013/14 to 2015/16 and has been regularly updated to take account of Government funding announcements and policy changes. Over the three year period of the Medium Term Service and Resource Plan we estimate at least £30 million of savings or additional income will have been delivered.

As part of the Budget considerations for 2015/16, there have been a number of key Government announcements which have had an impact on the original three year plan. The most significant of these was the Local Government Finance Settlement announced in February 2015 which set out the following figures for 2015/16:-

• A 13.7% reduction in the Council's funding assessments - this actually equates to a reduction of 24.8% in the Council's Revenue Support Grant

• A reduction of 18% in the Education Support Grant.

• Council Tax Freeze Grant equivalent to a 1% increase in Council Tax for Councils who freeze their council tax for the year.

Total reductions in Government Grant funding are now estimated to average 11% per annum over the period 2011/12 to 2015/16.

These changes, together with the existing savings to be identified, meant that further variations to the Budget totalling £9.6 million needed to be identified as part of the Council's 2015/16 plan.

For 2015/16 the budget focused on the variations that were needed to the approved medium term plan to deliver a balanced budget proposal.

The Cabinet's aim remained to achieve the medium term plan with minimal alterations, but at the same time to reflect public feedback together with local and national policy changes.

The Council has a prudent level of reserves and can use these to smooth the effects of policy changes and additional financial challenges, particularly recognising the ongoing reductions in public sector funding from 2016/17 and beyond.

The indication from Treasury figures is that at least an equally tough set of financial targets will need to be repeated in the next four year plan which starts in 2016/17, and of course at that time the difficulty in meeting the challenge will have increased as efficiency opportunities may be less.

The proposed budget for 2015/16 continues to recognise the very difficult financial challenge now facing the whole of the public sector and the increasing need to prioritise resources. The following principles have continued to be used to support this:

• Protecting frontline services;
• No increases in Council Tax;
• Investing in homes and jobs for local people.

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.

The development of the Budget has moved away from setting targets and budget top slices based on historic spending to an approach more focussed on prioritisation supported where appropriate by zero based budgeting. This approach has included: -

• Ensuring only essential cost pressures are taken into consideration, challenging all proposals for inflationary increases and additional spending.

• A continued focus on achieving efficiency savings within and across service areas.

• Maximising savings achieved through the continued development of the Change Programme with projects like reducing the number of Council offices and Customer Services.

• Seeking to increase income from new and existing sources. Developing and investing in a diversified income base to help protect the Council from reductions in Government funding.

• Minimising costs of borrowing utilising Council cash flow balances where appropriate to provide funding for capital projects.

• Exploring opportunities to support Communities to enable them to be more resilient and self-sustaining.

• Where Government is cutting its grants to local authorities, or other external sources of funding are being reduced, these savings requirements may need to be passed on to the relevant service.

There are also a range of service specific cost pressures 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 for Children's care services.

• Contractual inflationary costs particularly for care placements and external service contracts.

Taking account of reductions in government grant funding and the pressures outlined above requires savings of £9.7m to be made in 2015/16, taking the overall level of savings over the period 2013/14 to 2015/16 to over £30 million.

Initial Financial Planning work to look at the future scale of the financial challenge for the Council over the four year period covering 2016/17 to 2019/20 has estimated that the likely savings or additional income required will be over £38 million.

Total Resources Available for the Capital Programme

The table below summarises the approved resources available for the 2014/15 Capital Programme and the indicative programme for the next five years. This level of resource ensures that overall planned spending and funding are in balance.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Total Schemes	**84,602**	**43,198**	**22,348**	**13,125**	**6,934**
Funding Sources					
Grant	30,469	14,668	5,132	4,749	4,749
Capital Receipts	8,524	11,162	11,050	0	2,800
Revenue	2,563	563	478	478	478
Borrowing	38,844	16,040	5,223	7,748	(1,243)
3rd Party (incl. s106)	4,202	765	465	150	150
Total Funding	**84,602**	**43,198**	**22,348**	**13,125**	**6,934**

Revenue outturn and balances

The Council's net revenue budget was set at £120.39 million with a freeze in its part of the 2014/15 Council Tax. Dedicated Schools Grant funding of £78.34m separately supports expenditure on schools.

Total net spending amounted to £120.63 million against a revised budget of £121.11m, with a year end surplus of £0.48 million on general fund spending.

The Council followed well established procedures for monitoring its finances and reporting the position to Senior Management and the Cabinet. The outturn position reflects that funding of some one-off costs relating to service transformation and the delivery of planned savings have been offset against underspends achieved during the year rather than using earmarked reserves. This approach does result in some service areas showing an overspend position due to the non draw down of reserves that were previously anticipated.

The Council continues with its programme of budget management where overspends and underspends can be carried forward subject to policy approval. After allowing for transfers to earmarked reserves, carry forwards and excluding invest to save drawdowns, the General Fund balance stands at £10.5m, which is in accordance with the target level approved by the Council.

The main adverse variances from budget incurred, at Directorate level, are:

Children's Services - overspend of £923k - The overspend mainly relates to spend on direct placements for children in care, particularly in the Independent Fostering and Parent & Baby Unit budgets due to increased caseload in these volatile budgets. There was also an overspend in Home to School Transport due to increased Special Educational Needs (SEN) transport costs linked to the difficulty in placing children with behaviour issues locally. These overspends were partly offset by underspends in the Learning & Inclusion service.

The main favourable variances from budgets incurred are:

Place - underspend of £817k - mainly due to a combination of another exceptional return generated this year by the Heritage estate with even higher visitor numbers than the previous year, additional planning income and an underspend on parking services. These favourable variances were partially offset by overspends in Waste & Fleet services.

Resources & Support Services - underspend of £582k - The main favourable variances in this area related to Housing Subsidy Claim debt recovery, IT efficiencies and an underspend against the corporate budget provision in respect of the Council's Pensions Deficit Contribution. There was an overspend in Traded Services mainly related to Catering Services spending on provisions and staffing arising from the Universal Infant Free School Meals scheme and income from the scheme being below target.

The outturn position compared to the budget is as follows:

Service (based on Council Directorates)	Budgeted Spend £'000	Actual Spend £'000	(Under)/ Over Spend £'000
Place	28,036	27,219	(817)
Children's Services	22,483	23,406	923
Adult Social Services	55,689	55,689	-
Resources & Support Services (Including Corporate & Agency Budgets)	14,902	14,320	(582)
	121,110	**120,634**	**(476)**

The bottom line outturn position in relation to schools is an overspend of £0.3m resulting in a decrease in the balances held by schools from £3.2m to £2.9m. The centrally held elements of the Dedicated Schools Grant (DSG) has an underspend of £1.5m. The main reasons are an underspend on early years funding reflecting the new requirements for 2 year olds which have yet to be fully implemented and the late allocation of DSG by the DFE, which cannot be incorporated into school budgets until the following year, in line with school funding regulations. The DSG underspend results in a DSG balance to be carried forward through earmarked reserves of £5.924m up from £4.459m in 2013/14.

Collection Fund

As part of the 2015/16 budget setting, an estimate was made on the position of the Collection Fund as at 31st March 2015. The estimate is split into two elements, one relating to Council Tax and the other relating to Business Rates. The estimated and actual position for each is shown in the following table. The figures relate to the Council's share of the surplus / deficit, excluding any preceptor and central government shares. The increase in the deficit on the Business Rates Collection Fund is mainly due to the need to increase the appeals provision following notification of a large number of appeals being lodged after the government set a 31st March 2015 deadline for certain appeals. The difference will be taken into consideration when estimating the closing 2015/16 Collection Fund as part of the 2016/17 budget process.

	Estimated surplus / (deficit)	Actual surplus / (deficit)	Difference
	£'000	£'000	£'000
Council Tax	1,763	2,220	457
Business Rates	(185)	(1,090)	(905)
Total	**1,578**	**1,130**	**(448)**

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 £162.0m. This reconciles to the General Fund spending reported above as follows:

	£m	£m
Total net spending by departments		120,634
Add:		
Charges related to capital assets:		
- depreciation and impairments	17,271	
- revenue expenditure funded from capital under statute	4,631	
- loss on revaluations	21,694	
		43,596
Offset by:		
Grant funded revenue expenditure funded from capital under statute	1,908	
Unapportioned pensions contributions	1,718	
Levy payments	226	
Interest received and paid	(4,357)	
Other movements on funds and balances	225	
Net transfers to reserves	8,892	
		8,612
Cost of services - continuing operations		**155,618**

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 2014/15 totalled £62.6m. Overall capital spending was 75% of the revised capital budget, primarily reflecting the delivery time to complete projects moving into future financial periods. Details are:

Departments	Planned Spend	Actual Spend	Variation on planned spend
	£,000's	£,000's	£,000's
Place	42,469	32,788	(9,681)
People & Communities	8,944	5,710	(3,234)
Resources & Support Services	31,174	24,062	(7,112)
Corporate Capital Contingency	780	-	(780)
	83,367	62,560	(20,807)

Capital expenditure was financed as:		-
	£,000's	
Capital receipts	9,024	
Capital grants and contributions	23,249	
Revenue	1,005	
Borrowing	29,282	
	62,560	

Property, Plant & Equipment

In addition to additional capital spend, the value of assets also reflected:-

Transfers of £28.6m from Assets Under Construction reflecting projects becoming operational in the years:-

	£'000
Keynsham Regeneration (Including Keynsham Civic Centre)	21,336
Bath Package (Including Newbridge Park and Ride)	4,217
Victoria Bridge	1,390
Batheaston Footbridge	818
Other projects	844
	28,605

Net Revaluation losses of £30.7m for Other Land and Buildings for the following classes of assets:-

	£'000
Leisure Centres/Amenities (including Bath Sport Centre)	10,916
Schools	7,498
Offices	5,848
Libraries	3,380
Refuse Sites	2,695
Other	321
	30,658

An index adjustment to reflect upward movements of asset prices a resulted in a gain of £15.304m.

Investment Properties

Within the total Valuation for Investment Properties of £257.4m, new assets included:-

	£'000
Purchase of Seven Dials	8,000
Shops at Keynsham Civic Centre becoming operational	2,935

Pensions Fund

As required under the Regulations, a triennial valuation of the Avon Pension Fund was carried out as at 31 March 2013 which sets the employer contribution rates from 1 April 2014. The funding level was calculated at 78% (i.e. the Fund's assets cover 78% of future liabilities) which compares to 82% in 2010. The deficit widened during the period due to the fall in real gilt yields over the 3 years which increased the value of the liabilities. Over the period investment returns were above expectations. The next triennial valuation will be as at 31st March 2016.

Pension Liabilities

The Council itself has a liability of £235.8m for future pensions costs. This is because under IAS19 the Council must account for pensions for former members of staff when the commitment is made not when the pension is paid.

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

The increase in 2014/15 is mainly due to losses from changes in actuaries assumptions in valuing the liabilities, as detailed in Note 41.
This is owing to the actuaries estimated fall in the funding level, which is due to the fall in real yields during the period. Investment returns contributed positively to the funding position but was not sufficient to offset the increase in the liabilities. The value of the future pension liabilities is calculated using a discount rate based on UK gilt yields, so as gilt yields fall, the value of these liabilities rises.

In 2014/15, the Council made an up-front payment of the LGPS deficit contributions for the three years 2014/15 - 2016/17 totalling £14.042m. The up-front payment took advantage of the independent actuary's calculation of the return these contributions could achieve once invested by the Pension Fund. The discount calculated by the actuary for making the up-front payment rather than the normal approach of monthly payments in arrears over the three year period was £1.091m, reducing total payments from £15.133m to £14.042m. The return was judged to be far greater than could have been achieved by investing the amounts as part of the Council's treasury management strategy and the approach represented good value for money for the Council.

West of England Revolving Investment Fund

The Council, as accountable body to the West of England Partnership, is acting as agent for these regional central government grants. In 2014/15 £23.1m was distributed to specific projects as various criteria are satisfied, with the receiving body then treating these appropriately in their own accounts. The balance of funds not distributed is treated as a creditor in B&NES accounts as these sums will either be transferred to future recipients or will be returned back to government if not used.

Change in Accounting Policy for Schools

Following the issue of LAAP Bulletin 101, Accounting for Non-current Assets Used by Local Authority Maintained schools, a new Policy has been implemented in accordance with guidance. This has resulted in a Prior Period adjustment reducing asset values by £6m for of schools occupied as Voluntary aided and Voluntary controlled, but owned by religious bodies.

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. The turnover and assets held by this company is not considered significant enough to produce Group Accounts.

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/services/your-council-and-democracy/budgets-and-spending

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.

Tim Richens
Divisional Director of Business Support & Chief Finance Officer (Section 151 Officer)

MOVEMENT IN RESERVES STATEMENT 2014/15

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 2014	10,472	44,743	375	13,123	68,716	222,682	291,398
Surplus or Deficit on Provision of Services (accounting basis)	(1,634)				(1,634)		(1,634)
Other Comprehensive Income & Expenditure						(34,691)	(34,691)
Total Comprehensive Income & Expenditure	(1,634)	-	-	-	(1,634)	(34,691)	(36,325)
Adjustment between accounting basis and funding basis under regulations	8,954		(125)	(4,651)	4,178	(4,178)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	7,320	-	(125)	(4,651)	2,544	(38,869)	(36,325)
Transfers to/from earmarked reserves	(8,892)	8,892			-	-	-
Increase/Decrease in Year	(1,572)	8,892	(125)	(4,651)	2,544	(38,869)	(36,325)
Balance at 31 March 2015	8,900	53,635	250	8,472	71,260	183,813	255,072
			See Note 8			See Note 24	

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Restated Unusable Reserves	Restated Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2013	10,497	42,388	6,757	12,843	72,489	195,955	268,444
Surplus or Deficit on Provision of Services (accounting basis)	(30,202)				(30,202)		(30,202)
Other Comprehensive Income & Expenditure	-				-	53,157	53,157
Total Comprehensive Income & Expenditure	(30,202)	-	-	-	(30,202)	53,157	22,955
Adjustment between accounting basis and funding basis under regulations	32,532		(6,382)	280	26,430	(26,430)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	2,330	-	(6,382)	280	(3,772)	26,727	22,955
Transfers to/from earmarked reserves	(2,355)	2,355			-		-
Increase/Decrease in Year	(24)	2,355	(6,382)	280	(3,772)	26,727	22,955
Balance at 31 March 2014	10,472	44,743	375	13,123	68,716	222,682	291,398
			See Note 8			See Note 24	

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT 2014/15

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	2013/14 Gross Exp	2013/14 Gross Inc	2013/14 Net Exp		2014/15 Gross Exp	2014/15 Gross Inc	**2014/15 Net Exp**
	£'000	£'000	£'000	**Expenditure on Services**	£'000	£'000	**£'000**
	4,074	(3,661)	413	Central Services to the Public	3,893	(975)	**2,918**
	18,545	(14,037)	4,508	Cultural & Related Services	16,685	(14,861)	**1,824**
	26,921	(5,271)	21,650	Environmental & Regulatory Services	29,094	(5,518)	**23,576**
	8,705	(2,543)	6,162	Planning Services	7,913	(2,304)	**5,609**
	134,109	(95,370)	38,739	Children's & Education Services	128,579	(95,156)	**33,423**
	27,184	(12,787)	14,397	Highways & Transportation Services	29,559	(15,393)	**14,166**
	63,956	(54,039)	9,917	Housing Services	62,542	(57,310)	**5,232**
	87,982	(33,590)	54,392	Adult Social Care	92,816	(39,134)	**53,682**
	7,134	(7,134)	-	Public Health	7,377	(7,646)	**(269)**
	31,361	(21,922)	9,439	Corporate and Democratic Core	25,566	(10,774)	**14,792**
	-	(778)	(778)	Non Distributed Pensions Costs	665		**665**
	409,971	(251,132)	158,839	**Cost of Services - continuing Operations**	**404,689**	**(249,071)**	**155,618**
9			14,580	Other Operating Expenditure			**4,435**
10			(1,898)	Financing and Investment Income & Expenditure			**(18,096)**
11			(141,319)	Taxation and Non-Specific Grant Income			**(140,323)**
			30,202	**(Surplus) or Deficit on Provision of Services**			**1,634**
12, 13 & 14			(9,883)	(Surplus) or Deficit on Upward Revaluationof Non-current Assets			**(28,335)**
12, 13 & 14			4,830	(Surplus) or Deficit on Downward Revaluation of Non-current Assets			**11,063**
41			(48,104)	Remeasurement of the net defined benefit liability			**51,963**
			(53,157)	**Other Comprehensive Income & Expenditure**			**34,691**
			(22,955)	**Total Comprehensive Income & Expenditure**			**36,325**

BALANCE SHEET as at 31 MARCH 2015

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 31 March 2014 £'000	Restated 31 March 2013 £'000		**31 March 2015 £'000**
12			Property, Plant & Equipment:	
	196,122	225,912	Land & Buildings	**222,065**
	1,631	2,853	Community Assets	**1,395**
	63,594	52,269	Infrastructure	**73,155**
	8,661	8,385	Vehicles, Plant & Equipment	**13,908**
	41,923	32,050	Assets under Construction	**19,470**
	12,420	9,962	Surplus assets	**2,911**
13	17,899	17,780	Heritage Assets	**16,719**
14	231,077	222,680	Investment Property	**257,725**
15	909	750	Intangible Assets	**1,303**
	4	5	Long Term Investments	**4**
19	2,529	2,397	Long Term Debtors	**8,656**
	576,769	575,043	**Long Term Assets**	**617,311**
16	58,686	122,524	Short Term Investments	**41,489**
18	513	451	Inventories	**436**
19	22,975	21,342	Short Term Debtors	**31,319**
20	11,085	20,331	Cash and Cash Equivalents	**20,089**
21	449	-	Assets Held for Sale	**-**
	93,708	164,648	**Current Assets**	**93,333**
20	-	(8,305)	Bank Overdraft	**-**
16	-	-	Short Term Borrowing	**(10,024)**
22	(101,883)	(95,373)	Short Term Creditors	**(94,881)**
35	(2,201)	(1,665)	Grants Receipts In Advance - Revenue	**(2,274)**
35	(3,251)	(3,025)	Grants Receipts In Advance - Capital	**(1,767)**
	(107,335)	(108,368)	**Current Liabilities**	**(108,946)**
23	(2,406)	(956)	Provisions	**(2,796)**
16	(71,340)	(122,040)	Long Term Borrowing	**(99,790)**
41&42	(193,531)	(235,616)	Other Long Term Liabilities	**(240,363)**
35	(4,469)	(4,266)	Grants Receipts In Advance - Capital	**(3,677)**
	(271,746)	(362,878)	**Long Term Liabilities**	**(346,626)**
	291,396	**268,443**	**Net Assets**	**255,072**
8	68,714	72,488	Usable reserves	**71,258**
24	222,682	195,955	Unusable Reserves	**183,813**
	291,396	**268,443**	**Total Reserves**	**255,072**

The unaudited accounts were authorised for issue on 29th June 2015 and the audited accounts were authorised for issue on 28th September 2015.

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.

	2013/14	**See Note 25 for further details**	**2014/15**
	£'000		**£'000**
	(30,202)	Net surplus or (deficit) on the provision of services	**(1,634)**
A	41,970	Adjustment to surplus or deficit on the provision of services for non cash movements	**16,631**
A	(13,813)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**(31,522)**
	(2,045)	Operating Activities	**(16,525)**
C	49,941	Investing Activities	**(13,614)**
D	(48,837)	Financing Activities	**39,143**
	(941)	**Net Increase/(decrease) in cash equivalents**	**9,004**
E	**12,026**	**Cash & cash equivalents at the beginning of the reporting period**	**11,085**
E	**11,085**	**Cash & cash equivalents at the end of the reporting period**	**20,089**

1 ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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.

Qualitative Characteristics of Financial Statements

Relevance - The accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds, and for making financial decisions.
Materiality - The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided that in aggregate, they would not affect the interpretation of the accounts.
Faithful Representation - The financial information in the accounts is a faithful representation of the economic performance of the Council as they have been prepared to reflect the reality or substance of the transaction, are free from deliberate or systematic bias, are free from material error and contain all the information necessary to aid understanding.
Comparability - In addition to complying with the Code, the accounts also comply with the Service Reporting Code of Practice (SeRCOP). This code establishes proper practice in relation to consistent financial reporting below statement of accounts level, and aids comparability with other Local Authorities.
Verifiability - Different knowledgeable and independent observers will be able to reach the same conclusion from the information presented in the accounts.
Timeliness - The information provided in the accounts is available to decision makers in time to be capable of influencing their decisions.
Understandability - These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and Local Government. Every effort has been made to use plain language, and where technical terms are unavoidable, they have been explained in the glossary contained within the accounts.

Going Concern

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

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.

Tax Income (Council Tax & Non-Domestic Rates)

Non Domestic Rates (NDR)
- Retained Business Rate income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.
- Top Up income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Council Tax
- Council Tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Both Non Domestic Rates (NDR) and Council Tax will be recognised in the Comprehensive Income & Expenditure Statement in the line

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 Surplus of Deficit on the Provision 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.

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.

Employee Benefits

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

Termination Benefits: Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits, and are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income & Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits, or when the Authority recognises costs for restructuring.

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

Post-Employment 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. The Children's and Education line in the Comprehensive Income & Expenditure Statement is charged with the employer's contributions payable to Teacher's Pensions in the year.

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 Authority 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 the following components:

Service Costs:

- Current service cost - the increase in the present value of the liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the revenue accounts of services for which the employees worked.

- Past service cost - the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the authority in the number of employees covered by a plan) - debited to the Surplus or Deficit on The Provision of Services in the Comprehensive Income and Expenditure Account as part of Non-Distributed Costs
- Any gain or loss on settlement - arising when an authority enters into a transaction what eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan.

Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income & expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements of the net defined benefit liability (asset) comprising:

- the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses - changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), and b) the effects of changes in actuarial assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions by scheme participants - the increase in scheme liabilities and assets due to payments made into the scheme by employees (where increased contribution increases pensions due to the employee in the future).

Contributions by the employer - the increase in scheme assets due to payments made into the scheme by employer.

Benefits Paid - payments to discharge liabilities directly to Pensioners.

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

In 2014/15, the Council made an up-front payment of the LGPS deficit contributions for the three years 2014/15 - 2016/17 totalling £14.042m. The up-front payment took advantage of the independent actuary's calculation of the return these contributions could achieve once invested by the Pension Fund. The discount calculated by the actuary for making the up-front payment rather than the normal approach of monthly payments in arrears over the three year period was £1.091m, reducing total payments from £15.133m to £14.042m. The return was judged to be far greater than could have been achieved by investing the amounts as part of the Council's treasury management strategy and the approach represented good value for money for the Council.

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. VAT receivable is excluded from income

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 2013/14 (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 Expenditure on Continuing 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 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. In relation to assets under construction, these are recognised at invoiced cost. Once an asset under construction has reached practical completion, it will become operational and will be transferred to the appropriate asset class.

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.
* assets under construction - 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 Department on a minimum 5 year basis and reviewed annually for impairment and material changes. The valuations were done of the basis of Existing Use Value, Market Value or, in the case of specialised properties on the basis of, Depreciated Replacement Cost in accordance with the RICS Valuation Standards. Valuations are reviewed and signed off by Richard Long FRICS (Registered Valuer), Head of Property Services. The carrying value of asset in the balance sheet ahead of new valuations can be different due to both Depreciation, an assumed diminution in value, as well as new capital spend.

The total value of Property, Plant & Equipment (PPE) amounted to £349.623m at 31st March 2015 compared to £342.250m at 31st March 2014. A decrease in value of PPE was due to a number of factors including revaluations; particularly for Council Offices coupled with the variation in leasing arrangements for Bath Sport Centre. In addition the movement in Assets Under Construction recognises that the Keynsham Civic Centre became operational in 2014-15 as well as various transport infrastructure schemes from the ‘Bath Package’ and major bridge works. A review of movements in indices of relevant asset prices (BCIS, IPD and a land index) was undertaken and was reflected in an additional upward movement of £15.304m. A reduction of £6.040m was made as a Prior Period Adjustment for Accounting for Schools policy change (see below).

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).
* 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. Changes to depreciation charges to reflect revaluations and additions are made a year in arrears.

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.
* assets under construction - assets are not depreciated until they become operational.

Where an asset has major components whose cost is significant in relation to the total cost of the item (i.e. 20% or more or 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 in accordance with its approved Minimum Revenue Provision (MRP) Policy. 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.

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.

In accordance with guidance, the Council values the entire Investment Estate Portfolio on an annual basis. Investment Properties are valued specifically at Market Value assuming the properties would be sold subject to any existing leases. The valuer's opinion was primarily derived using comparable recent market transactions on arm's length terms. For the financial year 2014/15 the value of the estate was £257.725m which is greater than the previous year's value of £231.814m. The change in the valuation is due to factors which include revaluations to current market values, the acquisition of Seven Dials and the retail investment element of the Keynsham Civic Centre becoming operational.

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. Details relating to accessibility of these items to the public is available on the council's website.

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.

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 highly liquid 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.

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.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive 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 Authority 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 the Financing and Investment Income line in the Comprehensive 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 Financial Assets

The Authority has no available-for-sale financial assets.

Instruments Entered into Before 1 April 2006

The Authority 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 Authority has one controlled company - Bath Tourism Plus Ltd.
The turnover and assets held by the company 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.

Accounting for Schools

In determining these accounting policies we have considered the treatment of land and building separately and referred to the requirements and considerations within the following publications and standards:
- The Code of Practice on Local Authority Accounting in the United Kingdom;
- IAS 16 Property, plant and equipment as adopted by the Code;
- IFRIC4 / IAS 17 Leases.

The Code of Practice on Local Authority Accounting concluded that schools are separate entities and that under IFRS 10, maintained schools (but not free schools or academies) meet the definition of entities controlled by local authorities which should be consolidated in group accounts. However, rather than requiring local authorities to prepare group accounts, the Code requires local authorities to account for maintained schools within their single entity accounts. This includes schools income and expenditure as well as assets and liabilities.
Academies and Free Schools are managed completely independently of the Council with funding provided directly by central government, with the exception of some top up funding typically for Special Needs. The Council has granted long leases as part of the Academies transfer which includes a peppercorn rent, with the net present value of future minimum lease payments deemed to be nil in the finance lease calculation. No revenue or capital amounts are therefore recognised in the Council's accounts for these schools.

No adjustment is made in the Council's accounts for a maintained school in the process of conversion to Academy, as it is still possible for them to withdraw from the conversion process, and only treated outside of the Council's accounts from the date of the transfer.

In respect of Maintained Schools, the Council oversees many different types of school including Community, Voluntary Aided and Voluntary Controlled schools, as well a Foundation School, and has included all income and expenditure and liabilities for these schools in the accounts.

The recognition of Community Schools Non-current Assets within the Property Plant and Equipment Land and Building Valuations is in accordance with usual Service provision and is generally straightforward, with the Council being the freeholder of land and buildings. However, for other maintained schools (Voluntary Aided, Voluntary Controlled Schools and Foundation Schools) the accounting is a little more complex, in particular where ownership with the Trustee is not formalised. A further consideration is that the ownership of these school sites can be split into areas of Playing Fields and Buildings, and individual buildings.
A review of Land Registry records has established ownership of the asset by Trustees. However, there is no formal documentation that assigns control of economic benefits and service potential from Trustees to the schools. This arrangement is termed by CIPFA in LAAP101 as a "mere license", terminable by a Trustee at any time without causal action and the Diocese of Clifton has confirmed this as their view for the Catholic schools. It was concluded that "mere licenses" under a lease accounting analysis would not be recognised as assets.
The substance of the arrangement was further tested under IAS16 and IAS17. We considered the tests for legal ownership and future economic benefit, especially with regard to sale proceeds, were clearly determined by matching to Land Registry records held, a view endorsed by valuers that the cost or value of the asset could be measured reliably. We further considered service control tests and we recognise that both parties have influence on decision making, with on balance Trustees being the ultimate decision makers, especially in the longer term. Also in reality the Council has never had cause to challenge Trustee decision making. Our judgement therefore, was to value Trustee schools as Council assets only if their transfers had not been completed. The Land Registry record is the substance of the arrangement as to whether the value of non-current assets should be included in our financial statements.

The Council's adopted policy in the 2014-15 Financial Statements for the accounting treatment of Non-Current Assets Used by Local Authority Maintained Schools that fall within the Authority's boundary is as follows.
i. Where assets are fully transferred to a Diocese or Trustee Body and there is strong supporting evidence of a transfer, the Authority will not include these assets on its Balance Sheet.
ii. Where elements of an asset are retained by the Authority and there are Land Titles to support this, the Authority will include these as assets on its Balance Sheet.
iii. Where transfer to a Diocese or Trustee Body is not complete or pending, the Authority will include these assets on its Balance Sheet.
iv. Where there is no evidence to support transfer to a Diocese or Trustee Body, the Authority will include these assets on its Balance Sheet

This policy resulted in £6.040m reduction in the value of non-current assets, made as a Prior Period Adjustment.

Group Accounts

Group Accounts are covered by IFRS Standard 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. An assessment of the criteria for the completion of Group Accounts has been undertaken and the conclusion reached that there was no requirement to produce such accounts.

All material assets and liabilities relating to maintained schools are included in the Council's accounts. Owing to the nature of schools, it is highly unlikely that there would be any losses.

Joint Working Arrangements

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

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.

City Region Deal

The Council has applied the principles of IPSAS 23 ‘Revenue from non-Exchange transactions’ (taxes and transfers) in accounting for the transactions and balances relating to the City Region Deal.

Growth paid to the accountable body (South Gloucestershire Council - SGC) for the Business Rate Pool (BRP) is recognised by the Council as a debtor (and by SGC as an associated creditor) until such point that the funds are paid out by the BRP or committed by the Economic Development Fund (EDF) to fund future EDF payments in respect of approved programmes.

Income
Income receivable by B&NES from the BRP is recognised as revenue in the year it occurs. Furthermore the Council will recognise revenue and a debtor balance to the extent that future EDF payments are receivable and have been committed to by the EDF, and sufficient uncommitted cash remains in the BRP to fund future payments.

Expenditure
Expenditure is recognised by the Council on the earlier of payments being made by the BRP or where future EDF payments are committed to. Expenditure is recognised in proportion to the degree that the Council has contributed to the BRP through its growth figure, and is capped at the limit of the Council’s payment of growth to the BRP in this period, and any previous growth figures paid over which have not been previously paid or committed by the BRP.

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

The Code of Practice on Local Council Accounting in the United Kingdom 2015/16 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2015. If these had been adopted for the financial year 2014/15 there would be no material changes.

IFRS 13 Fair Value Measurement

This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have material impact on the Statement of Accounts due to the value of surplus assets held by the Authority.

IFRIC 21 Levies

This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises, or the levy is payable only if a threshold is reached, or both. The standard will not have a material impact on the Statement of Accounts.

Annual Improvements to the IFRS's (2011-2013 Cycle)

These improvements are minor, principally providing clarification, and will not have a material impact on the Statement of Accounts.

For 2012/13 this would result in a £3.0m expense increase in the Comprehensive Income & Expenditure Statement.

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

Government spending announcements have identified a significant reduction in Central Government funding for local authorities over the medium term financial planning period.

The Authority'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 Authority's assets might be impaired as a result of potentially needing to close facilities and reduce future levels of service provision.

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.

Bath Leisure Centre

The Bath Leisure Centre is built on land which is owned by Bath Recreation Trust. No agreement was previously in place between the Council and the Trust, and based on the risks and rewards associated with the operation and use of the centre, it had remained on the Council's Balance sheet in previous years and has now been removed.

Property Valuations

Our Valuers confirmed the value for Other Land and Buildings to be £198.947m with a 15% tolerance (either way) of £169.947m to £228.789m. A review of movements in indices of relevant asset prices (BCIS, IPD and a land index) was undertaken and was further reflected in an additional upward movement of £15.304m. The authority is satisfied the value shown in its balance sheet of £234.602m for Other Land and Building is not materially different from the amount that would be given by a full valuation carried out on 31 March 2015. Other assets are valued at depreciated historical cost.

A new Policy for non-current Assets within the Property Plant and Equipment Land and Building Valuations required judgements under IAS 16 and 17 over the reporting of treatment Schools under the control of Trustees (typically Church Schools both voluntary aided and voluntary controlled). Of 36 Schools, 29 have school land and buildings with records indicating trustee control and 2 have converted to Academy. 5 schools have title transfers pending and remain valued as Council assets on balance sheet, although a further 22 schools have elements land still in Council ownership, usually playing fields . The new policy resulted in £6.04m reduction in asset value, made through a prior year adjustment.

City Region Deal

The Authority has determined that transactions occurring in respect of the City Regions Deal arrangement arise from non-exchange transactions (the collection of Non-Domestic Rates by the Authority) and so IPSAS 23 may be applied in accounting for them. The Authority's accounting policy and note to the Statement of Accounts are described in Notes 1 & 49 respectively.

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 2015 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.
The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in Note 41.
The liability as at 31st March 2015 is £226.409m.

Property, Plant and Equipment Values
The Council has a large number of properties which are valued in accordance with the RICS valuation standards.
Individual valuations are undertaken to reflect material changes in circumstances affecting individual properties and properties are valued on a minimum five year basis to comply with the Code of Practice on Local Authority Accounting.
As a consequence 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, including changes in the value of the asset due to market changes.

To satisfy this requirement the Council's Property Services has undertaken a desktop re-valuation of the asset portfolio using national indices (BCIS, IPD & a Land Index) and also considered other local factors. As a result it was necessary to increase asset values by £15.304m.
The value of Property, Plant & Equipment shown in the Balance Sheet as at 31st March 2015 is £349.623m, (including Hertitage Assets at £16.719m.)

NNDR Appeals
Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2014/15 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2015. The estimate has been calculated using the latest Valuation Office Agency (VOA) list of appeals and analysis of successful appeals to date. The Council’s share of the balance of business rate appeals provisions held at 31st March 2015 amounted to £2.2m, this has increased by £647k from the previous year. If appeals were to increase by 10% then this could require an increase in the Council’s share of its appeals provision by £221k.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

There were no material items of Income and Expenditure which are not separately detailed elsewhere in the accounts.

6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Divisional Director of Business Support & Chief Finance Officer (Section 151 Officer) on 28th September 2015. 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 2015, 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 2014/15 financial year.

St Johns Primary school Keynsham has formally requested permission to convert to an academy and, subject to approval, we would expect this to transfer during the financial year 2015/16. The timeframe for conversion could mean that several other schools may also convert during 2015/16, although formal applications have yet to be made.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2014/15	Usable Reserves General Fund Balance £'000's	Capital Receipts Reserve £'000's	Capital Grants Unapplied £'000's	Movement in Unusable Reserves £'000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for depreciation of Non-Current Assets	17,217			(17,217)
Revaluation gains / Impairments on Property Plant & Equipment	21,694			(21,694)
Movements in the Market Value of Investment Properties	(15,569)			15,569
Amortisation of Intangible Assets	53			(53)
Capital Grants & contributions applied	(1,908)		-	1,908
Revenue expenditure funded from Capital under Statute	4,631			(4,631)
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	17,368			(17,368)
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	(4,923)			4,923
Principal repayment of Avon Loan	(582)			582
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(14,032)		14,032	
			1,878	(1,878)
	(2,658)			2,658
Application of grants to capital financing transferred to the Capital Adjustment Account			(20,561)	20,561
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,891)	8,891		
Use of the Capital Receipts Reserve to finance new capital expenditure		(9,024)		9,024
Capital expenditure financed from revenue	(1,005)			1,005
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	-	-		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		8		(8)
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	(6,712)			6,712
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	(170)			170
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	20,205			(20,205)
Employer's pensions contribution and direct payments to pensioners payable in the year	(15,345)			15,345
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	706			(706)
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	(382)			382
Other movements	(743)			743
Total Adjustments	**8,954**	**(125)**	**(4,651)**	**(4,178)**

2013/14	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable 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	16,598			(16,598)
Revaluation gains on Property Plant & Equipment	13,765			(13,765)
Movements in the Market Value of Investment Properties	(8,076)			8,076
Amortisation of Intangible Assets	61			(61)
Capital Grants & Contributions Applied	(1,741)			1,741
Revenue expenditure funded from Capital under Statute	6,756			(6,756)
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	15,381			(15,381)
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	(4,844)			4,844
Principal repayment of Avon Loan	(605)			605
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the	(15,414)		15,414	
Comprehensive Income & Expenditure Statement			1,587	(1,587)
Application of grants to capital financing transferred to the Capital Adjustment Account			(16,721)	16,721
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	(3,831)	3,831		
Use of the Capital Receipts Reserve to finance new capital expenditure		(10,221)		10,221
Capital expenditure financed from revenue	(1,390)			1,390
Contributions from the capital receipts reserve to finance payments to the Government capital receipts pool	1	(1)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		9		(9)
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 Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	6,850			(6,850)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	21,242			(21,242)
Employer's pensions contribution and direct payments to pensioners payable in the year	(14,618)			14,618
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(531)			531
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	483			(483)
Other movements	2,445			(2,445)
Total Adjustments	**32,532**	**(6,382)**	**280**	**(26,430)**

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 2014/15.

Unearmarked Reserves	31 March 2014 £'000	transfers to £'000	transfers from £'000	**31 March 2015 £'000**
General Fund Balances unearmarked	10,472	4,881	(6,453)	**8,900**

Earmarked Reserves	31 March 2014 £'000	transfers to £'000	transfers from £'000	**31 March 2015 £'000**
LMS Schools Balances	3,185		(286)	**2,899**
Corporate Earmarked Reserves	36,365	10,507	(3,359)	**43,513**
Service Specific Reserves	101	237	(78)	**260**
General Service Earmarked Reserves	5,092	2,122	(251)	**6,963**
	44,743	12,866	(3,974)	**53,635**
Total General Fund Balances and Reserves	**55,215**	**17,747**	**(10,427)**	**62,535**
Other Usable Reserves				
Capital Receipts Reserve	375	8,899	(9,024)	**250**
Capital Grants Unapplied Reserve	13,123	15,909	(20,560)	**8,472**
Total Usable Reserves	**68,716**	**42,555**	**(40,011)**	**71,260**

LMS Schools balances will be used by individual schools

Corporate Earmarked Reserves	31 March 2014 £'000	transfers to £'000	transfers from £'000	**31 March 2015 £'000**
Insurance Fund	1,125	797	(302)	**1,620**
Capital Financing Reserve	3,406	2,607	-	**6,013**
Revenue Funding of capital	906	1,223	(1,675)	**454**
Financial Planning Reserve	5,695	1,101	(13)	**6,783**
Affordable Housing & Capital Development	3,000	-	-	**3,000**
Revenue Budget Contingency Reserve	1,920	583	(433)	**2,070**
Revenue Grants Unapplied	2,276	206	(106)	**2,376**
Transformation Investment Reserve	3,817	-	(230)	**3,587**
Restructuring & Severance Reserve	5,418	-	-	**5,418**
Dedicated Schools Grant Reserve	4,459	1,465	-	**5,924**
Business Rates Reserve	61	1,644		**1,705**
Other	4,282	881	(600)	**4,563**
	36,365	10,507	(3,359)	**43,513**

The Insurance Fund exists in order to meet the cost of claims which fall below the policy excesses.
The Capital Financing 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 Financial Planning reserve has been established to support the future medium term financial planning of the Council. It will be allocated as part of the Budget each year to support the specific medium term financial proposals and priorities of the Council.

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 Transformation Investment Reserve is used to support the Authority's change programme including the development and implementation of specific transformation business cases.
The Restructuring & Severance reserve is used to fund severance related costs related to service changes arising from the Medium Term Service & Resource Plan.

The Dedicated Schools Grant (DSG) Reserve holds the balance of DSG to be carried forward for use in future years.

The Business Rates Reserve exists in order to meet costs arising from volatility in NNDR income due to changes in the Rateable Value of properties or the granting of new exemptions and reliefs and is utilised to fund deficits impacting in future years.

General Service Earmarked Reserves	31 March 2014 £'000	transfers to £'000	transfers from £'000	**31 March 2015 £'000**
Information Technology Reserve	1,874	-	-	**1,874**
Finance VAT Advice Reserve	120	273	(122)	**271**
Leisure Reserves	-	671	(129)	**542**
CDSM Interpretation Centre Reserve	-	172	-	**172**
Adult Services Re-enablement (s256)	3,034	1,006	-	**4,040**
Other Service Reserves	64	-	-	**64**
	5,092	2,122	(251)	**6,963**

9 OTHER OPERATING EXPENDITURE

	2014/15 £'000	2013/14 £'000
(Gain)/Loss on disposal of non-current assets	2,050	12,317
Parish Precepts	2,159	2,045
Levy payments to joint bodies	226	217
Contribution to Housing Pooled Receipts	-	1
	4,435	14,580

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2014/15 £'000	2013/14 £'000
Interest Payable & Premiums	4,380	11,730
Interest & Investment Income	(23)	(222)
Net Deficit/(Surplus) on Trading Services	293	21
Income & expenditure in relation to Investment properties and changes in fair value	(29,746)	(22,213)
Net Interest on the Net Defined Benefit Liability (Asset)	7,000	8,786
	(18,096)	(1,898)

11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2014/15 £'000	2013/14 £'000
Council Tax Income	(76,381)	(74,086)
Non -Domestic Rates Income & Expenditure	(19,822)	(19,715)
Non ring fenced government grants	(27,430)	(32,104)
Capital grants and contributions	(16,690)	(15,414)
	(140,323)	(141,319)

NOTES TO MAIN FINANCIAL STATEMENTS

12 PROPERTY, PLANT & EQUIPMENT

Movement in 2014/15:

	Other Land & Buildings £'000	Community Assets £'000	Infrastructure Assets £'000	Veh'cls,Plant & Equipment £'000	Assets Under Construction £'000	Surplus Assets £'000	Heritage Assets £'000	**Total Property Plant & Equipment £'000**
Cost or valuation as at 1 April 2014	214,772	2,318	98,467	23,246	41,923	12,553	17,899	**411,178**
Adjustment to opening balance	-	-	-	-	-	-	-	**-**
Additions	20,364	74	15,298	5,459	6,134	64	0	**47,393**
Revaluations increases/decreases recognised in the Revaluation Reserve	14,166	18	-	-		122	(1,180)	**13,126**
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(26,608)	(180)	(5)	(442)	(1)	3		**(27,233)**
De-recognition - Disposals	(8,988)	-	-	(976)	-	(8,983)		**(18,947)**
Assets reclassified to/from Held for sale	-				-			**-**
Reclassifications - other	20,896	-	3,017	2,874	(28,586)	(729)	-	**(2,528)**
Valuation as at 31 March 2015	**234,602**	**2,230**	**116,777**	**30,161**	**19,470**	**3,030**	**16,719**	**422,989**
Accumulated Depreciation and Impairment								
Accumulated depreciation as at 1 April 2014	(18,650)	(687)	(34,873)	(14,585)	-	(133)	-	**(68,928)**
Adjustment to opening balance	-	-				-		**-**
Depreciation charge in year	(5,984)	(149)	(8,749)	(2,301)	-	(35)		**(17,218)**
Depreciation written out to the Revaluation Reserve	4,039	-				33		**4,072**
Depreciation written out to the Surplus/Deficit on Provision of Services	5,593					-		**5,593**
Impairment losses/(reversals) recognised in the Revaluation Reserve	-							**-**
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services*	-					-		**-**
De-recognition - disposals	2,298			633		15		**2,946**
Other Movements in Depreciation & Impairment	167	1				1		**169**
Accumulated depreciation at 31 March 2015	**(12,537)**	**(835)**	**(43,622)**	**(16,253)**	**-**	**(119)**	**-**	**(73,366)**
Balance sheet amount 31 March 2015	**222,065**	**1,395**	**73,155**	**13,908**	**19,470**	**2,911**	**16,719**	**349,623**

* Neither the property impairment review or the non-property impairment review resulted in any impairment loss in 2014/15. Therefore the figure shown is for is for gains only'

Revaluations (GBV)	Other Land & Buildings	Community Assets	Infrastructure Assets	Veh'cls,Plant & Equipment	Assets Under Construction	Surplus Assets	Heritage Assets	Total
Carried at Historic Cost @ 31 March 2015	20,343	2,230	116,777	30,161	19,470	3,030	16,719	**208,730**
Valued at Fair value as at:								
31/03/15 (Indexation)	15,304							**15,304**
01/04/2014	78,426							**78,426**
01/04/2013	1,402							**1,402**
01/04/2012	12,217							**12,217**
01/04/2011	37,674							**37,674**
01/04/2010	69,236							**69,236**
Total Cost or Valuation	**234,602**	**2,230**	**116,777**	**30,161**	**19,470**	**3,030**	**16,719**	**422,989**

Comparative Movements in 2013/14:

	Restated Other Land & Buildings £'000	Community Assets £'000	Infrastructure Assets £'000	Veh'cls,Plant & Equipment £'000	Assets Under Construction £'000	Surplus Assets £'000	Heritage Assets £'000	**Total Property Plant & Equipment £'000**
Cost or valuation as at 1 April 2013	240,304	4,207	79,817	20,924	32,050	14,491	17,780	**409,573**
Adjustment to opening balance	(5,901)	(1,414)	(146)			(4,448)		**(11,909)**
Additions	4,405	133	9,819	1,893	19,771	143	69	**36,233**
Revaluations increases/decreases recognised in the Revaluation Reserve	296	-				4,568	-	**4,864**
Revaluations increases/decreases recognised in the Surplus/Deficit on Provision of Services	(14,551)					(88)		**(14,639)**
De-recognition - Disposals	(12,441)	(608)	-	(1)	-	(287)		**(13,337)**
Assets reclassified to/from Held for sale	**(59)**				-			**(59)**
Reclassifications - other*	2,719	-	8,977	430	(9,898)	(1,826)	50	**452**
Valuation as at 31 March 2014	**214,772**	**2,318**	**98,467**	**23,246**	**41,923**	**12,553**	**17,899**	**411,178**
Accumulated Depreciation and Impairment								
Accumulated depreciation as at 1 April 2013	(14,446)	(1,354)	(27,548)	(12,539)	-	(4,529)	-	**(60,416)**
Adjustment to opening balance	1,775	435				4,428		**6,638**
Depreciation charge in year	(6,993)	(193)	(7,325)	(2,047)		(38)		**(16,596)**
Depreciation written out to the Revaluation Reserve	142					5		**147**
Depreciation written out to the Surplus/Deficit on Provision of Services	875					-		**875**
Impairment losses/(reversals) recognised in the Revaluation Reserve								**-**
Impairment losses/(reversals) recognised in the Surplus/deficit on Provision of Services	-					-		**-**
De-recognition - disposals	-	425		1		1		**427**
Other Movements in Depreciation & Impairment	(3)					-		**(3)**
Accumulated depreciation at 31 March 2014	**(18,650)**	**(687)**	**(34,873)**	**(14,585)**	**-**	**(133)**	**-**	**(68,928)**
Balance sheet amount 31 March 2014	**196,122**	**1,631**	**63,594**	**8,661**	**41,923**	**12,420**	**17,899**	**342,250**

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

Effects of Changes in Estimates

In 2014/15 there were no material changes made to the Authority's accounting estimates for Property, Plant & Equipment.

Revaluations

The Council carries out a rolling programme that ensures all PPE required to be measured at fair value and where necessary valuations are carried out at least every five years. New valuations undertaken in 2014/15 were carried out externally to the value of £37.784m and internally to the value of £40.642m (total £78.426m). Existing valid valuations of £120.522m gives a total valuation of £198.947m. 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.
The date of internal valuation is 1st April 2014, the external tranche at 31st March 2015 and any material changes throughout the year also have been valued at 31st March 2015. A review of movements in indices of relevant asset prices (BCIS, IPD and a land index) was undertaken and was further reflected in an additional upward movement of £15.304m

The general assumptions applied in estimating the fair values are as follows:

- Properties classified as occupied by the council for the purpose of its business have been valued on the basis of air Value (Existing Use Value), assuming vacant possession on all parts occupied by the Council.
- Properties classified as Investment or Surplus to Requirements have been valued at fair Value (Market Value).
- Specialist building are valued at Depreciation replacement cost (e.g. Schools)
- All other assets are valued at Historical Costs, including Infrastructure and Vehicles

Specific Voluntary Aided / Controlled schools, along with the Foundation School, where title deeds are not assigned to the Council are not included on the Council's Balance Sheet. In addition, no Academy Schools are held on the balance sheet.

- To Assets not revalued in year, estimated for enhancing expenditure and depreciation of useful life is applied.

Capital Commitments

At 31 March 2015 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years estimated to cost £13.424m.
The major commitments are:

	2014/15	2013/14
	£'000	£'000
Resources (Property) Schemes	**527**	7,632
Education & Children's Services	**1,322**	1,352
Customer Services System	**167**	-
Adult Services	**790**	-
BWR (Infrastructure & Affordable Housing)	**3,963**	1,898
Highways & Bridge Strengthening	**3,956**	1,805
Bath Transportation Package	**-**	5,050
Roman Bath - Temple Project		301
Waste Services	**-**	136
Neighbourhoods projects	**331**	270
Gypsy & Traveller's Site	**-**	19
London Road Regeneration	**470**	84
Radstock Regeneration	**123**	190
Bath Quays	**350**	222
Odd Down Sports Facilities	**512**	78
Rossiter Road	**730**	-
Other	**183**	
Total	**13,424**	19,037

13 HERITAGE ASSETS

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

2014/15 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Costume Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	**Total £'000**
1st April 2014	**12,213**	**1,458**	**1,053**	**1,000**	**936**	**1,239**	**17,899**
Additions		0					**-**
Disposals							**-**
Revaluations	(1,655)		475				**(1,180)**
Impairment Losses/(reversals)							**-**
recognised in the Reval Reserve							**-**
Impairment Losses/(reversals)							**-**
recognised in the Surplus or							**-**
Deficit on Provision of Service							**-**
31st March 2015	**10,558**	**1,458**	**1,528**	**1,000**	**936**	**1,239**	**16,719**

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

2013/14 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Costume Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	**Total £'000**
1st April 2013	12,213	1,339	1,053	1,000	936	1,239	17,780
Additions		119					119
31st March 2014	**12,213**	**1,458**	**1,053**	**1,000**	**936**	**1,239**	**17,899**

2012/13 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Costume Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	**Total £'000**
1st April 2012	12,035	1,337	1,022	1,000	936	1,239	17,569
Additions	154	2	5				161
Impairment Reversals	24		26				50
31st March 2013	**12,213**	**1,339**	**1,053**	**1,000**	**936**	**1,239**	**17,780**

2011/12 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Costume Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	**Total £'000**
1st April 2011	11,983	1,337	1,022	1,000	936	1,239	17,517
Additions	52						52
31st March 2012	**12,035**	**1,337**	**1,022**	**1,000**	**936**	**1,239**	**17,569**

2010/11 Cost or Valuation	Victoria Art Gallery £'000	Roman Baths £'000	Costume Museum £'000	Chandeliers £'000	Records Office £'000	Library £'000	**Total £'000**
1st April 2010	11,949	1,337	1,022	1,000	936	1,239	17,483
Additions	34						34
31st March 2011	**11,983**	**1,337**	**1,022**	**1,000**	**936**	**1,239**	**17,517**

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.

	2014/15	2013/14
	£'000	£'000
Rental Income from Investment Property	15,355	15,175
Direct operating expenses arising from Investment Property	(1,132)	(1,171)
Net gain/(loss)	14,223	14,004

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.

		Restated
	2014/15	2013/14
	£'000	£'000
Balance at start of year	231,077	222,680
Adjustment to opening balance		2,466
Additions of expenditure	9,076	712
Disposals	(221)	(2,011)
Net gains/losses from fair value adjustments	15,569	8,076
Transfer to/from Property, Plant & Equipment	2,224	(846)
Balance at end of the year	257,725	231,077

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.

	2014/15	2013/14
	£'000	£'000
Cost or valuation as at 1 April	2,689	2,469
Purchases	244	220
Transfers	203	-
Cost or valuation as at 31 March	3,136	2,689
Accumulated depreciation as at 1 April	1,780	1,719
Depreciation for the period	53	61
Accumulated depreciation at 31 March	1,833	1,780
Net Carrying amount at 31 March	1,303	909

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 2014 £'000	**31 March 2015 £'000**	31 March 2014 £'000	**31 March 2015 £'000**
Financial liabilities at amortised cost - loans	70,477	**98,773**	-	**10,000**
Accrued Interest (1)			863	**1,041**
Financial liabilities at amortised cost trade creditors			19,474	**18,659**
Total borrowings	70,477	**98,773**	20,337	**29,700**

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

	31 March 2014 £'000	**31 March 2015 £'000**	31 March 2014 £'000	**31 March 2015 £'000**
Loans & receivables	-	**-**	69,584	**57,926**
Accrued Interest (1)			133	**92**
Cash			54	**3,560**
Loans & receivables - trade debtors			12,766	**14,893**
Total Investments	**-**	**-**	82,537	**76,471**

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

The Authority does not have any Unquoted Equity Instruments at Cost.

The Authority has not granted any financial guarantees or material soft loans.

Financial Instruments Gains & Losses

	Financial Liabilities 31 March 2014 Liabilities measured at amortised cost £'000	Financial Assets 31 March 2014 Loans & Receivables £'000	Total £'000	**Financial Liabilities 31 March 2015** Liabilities measured at amortised cost **£'000**	**Financial Assets 31 March 2015** Loans & Receivables **£'000**	**Total £'000**
Interest Expense *	**(3,928)**	-	(3,928)	**(3,621)**	**-**	**(3,621)**
Premium on Early Repayment of Debt	**(7,019)**		(7,019)	**-**		**-**
Interest payable & similar charges	(10,947)	-	(10,947)	**(3,621)**	**-**	**(3,621)**
Interest Income	-	222	222	**-**	**23**	**23**
Interest & investment Income	-	222	222	**-**	**23**	**23**
Net gain/(loss) for the Year	(10,947)	222	(10,725)	**(3,621)**	**23**	**(3,598)**

*The Authority also paid £1.34m (of which £0.58m 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 decrease in interest income earned reflects the lower average interest rate earned on investments during 2014/15, along with the strategy of operating with a minimus cash balance.

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.

+The fair values of long-term "Lender's Option Borrower's Option" (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate and adding the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to Bloomberg's proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

+ cash flows arising from Local & Police Authority Loans have been discounted at money market rates available for loans of similar remaining maturities on the balance sheet date.

+ 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 2014		**31 March 2015**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
	£'000	£'000	**£'000**	**£'000**
Financial Liabilities - PWLB Loans (Long Term Borrowing)	50,455	63,566	**60,804**	**90,215**
Financial Liabilities - Local & Police Authority Loans (Long Term Borrowing)	-	-	**18,106**	**18,297**
Financial Liabilities - Market Loans (Long Term Borrowing)	20,885	25,744	**20,880**	**31,147**
Total Long Term Borrowing	71,340	89,310	**99,790**	**139,659**
Financial Liabilities - Local & Police Authority Loans (Short Term Borrowing)	-	-	**10,024**	**10,034**
Financial Liabilities - trade creditors (see Note 22)	19,474	19,474	**18,659**	**18,659**
	90,814	108,784	**128,473**	**168,352**

The total long term borrowing shown above is the sum of the financial liabilities at amortised costs and the accrued interest from the table in the previous page.

The fair value as at 31st March 2015 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 2014		**31 March 2015**	
	£'000	£'000	**£'000**	**£'000**
Loans & Receivables - investments*	69,717	69,723	**58,018**	**58,031**
Cash	54	54	**3,560**	**3,560**
Loans & Receivables - trade debtors (see Note 19)	12,766	12,766	**14,893**	**14,893**

* The "Loans & Receivables - investments" figures above include those short-term investments classed as Cash Equivalents, as detailed in Note 20. This equated to **£16.529m** as at 31st March 2015, with the remaining **£41.489m** being short term investments. (£11.031m Cash Equivalents as at 31st March 2014, with £58.686m being short term investments).

The fair value of loans and receivables is slightly higher than the carrying amount as at 31st March 2015 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 Authority in the Annual Treasury Management Strategy. The Authority 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.

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 (as revised) for 2014/15 sets the minimum credit ratings for the banks and financial institutions with which deposits can be made. The minimum credit ratings were Long Term rating BBB+ or equivalent for UK banks and A for Foreign banks. 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 £15m restricted to UK banks and £7.5m for foreign banks. 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. These investments are subject to a lower cash limit and shorter time limit. For operational reasons, the Treasury Management Strategy for 2014/15 permits the overnight use of the Council's current bank account provider (NatWest), subject to maintaining a credit rating of not lower then BBB-.

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, and to a maximum of £20m per country for those rated AAA and £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 and 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 2015	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	**42,015**	0.33	**139**
Banks/Financial Institutions with lowest equivalent rating of AAA	**1**	0.34	**0**
Banks/Financial Institutions with lowest equivalent rating of AA	**6,002**	0.33	**20**
Banks/Financial Institutions with lowest equivalent rating of A	**0**	0.79	**0**
Banks/Financial Institutions with lowest equivalent rating of BBB	**10,000**	1.97	**197**
Total deposits with Banks & Financial Institutions	**58,018**	**-**	**355**

	2015	2014
Trade Debtors	**14,893**	12,766
Total debtors at 31st March including trade debtors	**31,319**	22,975

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 £17.9m outstanding at 31st March 2015 is all past its due date for payment.

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

	2014/15	2013/14
	£'000's	£'000's
Less than three months	**11,376**	10,891
Three to six months	**623**	291
Six months to one year	**543**	357
More than one year	**2,351**	1,227
	14,893	12,766

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 2015 £'000's	**%**	Amount at 31 March 2014 £'000's	%
Loans & Receivables (Cash on Deposit) by Country Analysis				
UK Debt Management Office	**526**	**0.9%**	8,586	12.3%
UK Local Authorities	**41,489**	**71.5%**	50,096	71.9%
UK - Other Financial Institutions	**10,001**	**17.2%**	6,007	8.6%
Australia	**-**	**0.0%**	-	0.0%
Singapore	**-**	**0.0%**	-	0.0%
Sweden	**6,002**	**10.3%**	5,028	7.2%
Total	**58,018**	**100%**	69,717	100%

Liquidity and Refinancing Risk

As the Council has ready access to borrowing from both the money market and 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. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 50% of loans are due to mature within 12 months, this is in line with the Treasury Management Strategy and is managed by careful planning when new loans are taken out or any debt restructuring takes place.

The maturity analysis of borrowing is as follows:

	31 March 2014 £'000	**31 March 2015 £'000**
Borrowing due for repayment:		
Under 1 year *	20,477	**30,473**
Between 1 and 2 years	0	**8,000**
Between 2 and 5 years	0	**10,000**
Between 10 and 15 years	0	**10,000**
Between 15 and 20 years	15,000	**20,300**
Between 20 and 25 years	15,000	**5,000**
Between 40 and 45 years	0	**5,000**
Between 45 and 50 years	20,000	**20,000**
	70,477	**108,773**

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 (call date). 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.

* The Council's LOBO loans are included as maturing within 1 year in the table above as the CIPFA Treasury Management Code requires to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date (6 monthly). Therefore the treatment of this borrowing has changed from the 13/14 accounts, where they were in the 40-45 Year category for maturity date.

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

Market Risk
Interest Rate Risk

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

* borrowings at variable rates - the interest expense charged to the 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. 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 £.

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 2015, 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	(183)
Impact on Income and Expenditure Account	**(183)**
Decrease in fair value of fixed rate investment assets (no impact on I & E)	**225**
Decrease in fair value of fixed rate borrowing liabilities (no impact on I & E)	**18,655**

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 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES & ESTIMATES & ERRORS

Voluntary Aided & Voluntary Controlled Schools

Prior Period Adjustments have been made to the Council's 2013/14 published Statement of Accounts in relation to the change in Accounting Policy for schools. The change in the Accounting Policy is explained in Note 1 above.

The Prior Period Adjustment of £6.040m reduction in non-current assets has been made to the Balance Sheet as at 31st March 2014, with a third balance sheet added for comparison.

Group Accounts

The adoption from 2014/15 of new IFRS Standard 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures has meant that the Council has had to re-asses its position in respect of entities where it has an interest in some form, to determine if it is necessary to consolidate one or more entities into it's financial statements. Following this re-assessment, the Council has decided that existing arrangements fall outside the requirements of the new accounting standards and therefore that there are no changes required to the existing disclosures in relation to Group Accounts.

18 INVENTORIES

	Balance 2013/14	Purchases	Recognised as expense in year	Written off Balances	**Balance 2014/15**
	£'000	£'000	£'000	£'000	**£'000**
Consumable Stores	487	58	(109)		**436**
Client Services Work in Progress	26	-	-	(26)	**-**
Total Inventories	**513**	**58**	**(109)**	**(26)**	**436**

19 DEBTORS

	2014/15	2013/14
Amounts falling due in one year:	£'000	£'000
Central Government bodies	5,816	5,503
Other local authorities	1,417	16
NHS bodies	1,920	1,421
Other entities and individuals (Trade Debtors)	14,893	12,765
Other entities and individuals (Non-Trade Debtors)	3,192	469
Prepayments	4,081	2,801
Total - Current Assets	31,319	22,975
Amounts falling after one year:	£'000	£'000
Other entities and individuals	8,656	2,529
Total - Long Term Assets	8,656	2,529

20 CASH AND CASH EQUIVALENTS

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

	2014/15	2013/14
	£'000	£'000
Cash held by the authority	83	92
Bank current accounts	3,477	(38)
Short-term deposits	16,529	11,031
Total cash and cash equivalents	20,089	11,085

21 ASSETS HELD FOR SALE

	Current		Non-Current	
	2014/15	2013/14	2014/15	2013/14
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	449	0		
Assets newly classified as held for sale:	0	449		
Property, Plant & Equipment			-	-
Additions	-	-		
Revaluation gains/(losses)				
Assets declassified as held for sale:	-	-		
Assets sold	(449)	-		
Balance outstanding at year end	-	449	-	-

22 CREDITORS

	2014/15	2013/14
	£'000	£'000
Central government bodies	47,942	62,187
Other local authorities	4,589	5,034
NHS bodies	717	1,083
Public corporations and trading funds	1	387
Other entities and individuals (Trade Creditors)	18,659	19,474
Other entities and individuals (Non-Trade Creditors)	17,285	9,291
Income Received in Advance	2,461	3,881
Pensions Fund	3,227	546
	94,881	101,883

Included in Central Government Bodies is £42m held on behalf of West of England’s Revolving Investment Fund which will provide for future infrastructure works, and is described further in Note 46 (£54m in 2013/14).

23 PROVISIONS FOR LIABILITIES

Provisions comprise:	31 March 2014	New Provisions	Utilised in Year	Written Back	31 March 2015
	£'000	£'000	£'000	£'000	**£'000**
Spa Right of Lights Provision	35	-	-	-	**35**
Provision for Child Care Costs	11	-	-	-	**11**
Chew Valley Bus Partnership	32	-	-	(32)	**-**
Children's Services Provision	32	-	-	-	**32**
Customer Services Provision	225		(225)	-	**-**
Social Services Pension Provision	327	-	-	-	**327**
Planning Provision	154	-	-	-	**154**
NNDR Appeals Provision	1,559	1,613	(966)		**2,206**
Land Charge Fee Provision	31	-	-	-	**31**
	2,406	1,613	(1,191)	(32)	**2,796**

* 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 was a provision for repayment of grant funding not spent.
* The Children's Services Provision is for an employee claim.
* The Customer Services provision was 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 Social Services Provision relates to Pension deficit costs relating to the transfer of staff between the Council and a care provider.
* The Planning Provision is for a number of Planning Appeals.
* The NNDR Appeals Provision is for appeals made to the Valuation Office in respect of NNDR valuations.
* The Land Charges Fee Provision is for search fee claims.

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

24 UNUSABLE RESERVES

	2014/15	Restated 2013/14
	£'000	£'000
Revaluation Reserve	**89,701**	80,167
Capital Adjustment Account	**329,527**	327,657
Deferred Capital Receipts Reserve	**7,158**	454
Financial Instruments Adjustment Account	**(6,680)**	(6,850)
Accumulated Absences Account	**(1,054)**	(1,436)
Pensions Reserve	**(235,818)**	(178,995)
Collection Fund Adjustment Account	**979**	1,685
Total Unusable Reserves	**183,813**	222,682

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.

	2014/15	Restated 2013/14
	£'000	£'000
Balance at 1 April	**80,167**	78,617
Adjustment to opening balance		
Upwards revaluation of assets	**28,335**	9,883
Downwards revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	**(11,063)**	(4,873)
Impairment losses not charged to the Surplus/Deficit on on the Provision of Services	**-**	-
Transfer of depreciation on re-valued assets		(689)
Written Back on asset disposal and transfer	**(7,738)**	(2,771)
Impairment of fixed assets - transfer		
Balance at 31 March	**89,701**	80,167

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.

	2014/15	**2014/15**	Restated 2013/14
	£'000	**£'000**	£'000
Balance at 1 April		327,657	337,149
Adjustment to opening balance			
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	(17,217)		(16,598)
Revaluation losses on Property, Plant & Equipment	(21,694)		(13,765)
Amortisation of intangible assets	(53)		(61)
Revenue expenditure funded from capital under statute	(4,631)		(6,756)
Grant funding of revenue expenditure funded from capital under statute	1,908		1,741
		(41,687)	(35,439)
Adjusting amounts written out of the Revaluation Reserve			
Transfer of depreciation on re-valued assets		-	689
Transfer of revaluation reserve balance on asset disposal		7,738	2,771
Net written out amount of the cost of non-current assets consumed in the year		(33,949)	(31,979)
Capital financing applied in the year:			
Use of capital receipts reserve to finance new capital expenditure	9,024		10,221
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	21,341		15,133
Capital expenditure financed from revenue	1,005		1,390
Minimum Revenue Provision	4,923		4,844
		36,293	31,588
Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		15,568	8,076
Deferred liability - Repayment of Avon Loan Debt		582	605
Carrying value of fixed assets disposed of		(17,368)	(15,381)
Other movements		744	(2,401)
Balance at 31 March		329,527	327,657

Financial Instruments Adjustment Account

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

	2014/15	**2014/15**	2013/14
	£'000	**£'000**	£'000
Balance at 1 April		(6,850)	-
Premiums incurred in year and charged to the Comprehensive Income & Expenditure Statement			(7,019)
Proportions of Premiums incurred to be charged against General Fund Balance in accordance with statutory requirements	170		169
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.		170	(6,850)
Balance at 31 March		(6,680)	(6,850)

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.

	2014/15	2013/14
	£'000	£'000
Balance at 1 April	**(178,995)**	(220,475)
Remeasurements of the net defined benefit liability / (asset)	**(51,963)**	**48,104**
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	(20,205)	(21,242)
Employer's pensions contributions and direct payments to pensioners payable in the year	15,345	14,618
Balance at 31 March	**(235,818)**	(178,995)

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.

	2014/15	2013/14
	£'000	£'000
Balance at 1 April	454	463
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	6,712	
Transfer to the Capital Receipts Reserve upon receipt of cash	(8)	(9)
Balance at 31 March	**7,158**	454

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax, and from 2013/14, National Non Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2014/15	2013/14
	£'000	£'000
Balance at 1 April	**1,685**	1,154
Amount by which income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	**(706)**	531
Balance at 31 March	**979**	1,685

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.

	2014/15	**2014/15**	2013/14
	£'000	**£'000**	£'000
Balance at 1 April		(1,436)	(953)
Settlement or cancellation of accrual made at the end of the preceding year	1,436		953
Amounts accrued at the end of the current year	(1,054)		(1,436)
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		382	(483)
Balance at 31 March		**(1,054)**	(1,436)

25 CASH FLOW STATEMENT

Note A to the cashflow statement	2014/15	2013/14
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	(1,634)	(30,202)
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	17,217	16,599
Impairment and downward valuations	21,694	13,765
Amortisation	53	61
Adjustment for internal interest charged	-	7,019
Adjustments for effective interest rates	1	(700)
Increase/Decrease in Interest Creditors	-	-
Increase/Decrease in Creditors	(7,859)	3,228
Increase/Decrease in Interest and Dividend Debtors	27	137
Increase/Decrease in Debtors	(10,190)	(1,295)
Increase/Decrease in Inventories	77	(62)
Pension Liability	(7,000)	(8,786)
Pension Fund Gains on Past Service Costs		
Contributions to/(from) Provisions	390	1,450
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	17,368	15,381
Movement in investment property values	(15,570)	(8,076)
Other movements	423	3,249
Total adjustments on the provision of services for non cash movements	16,631	41,970
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Capital Grants credited to surplus or deficit on the provision of services	(15,910)	(17,002)
Premiums or Discounts on the repayment of financial liabilities	(0)	7,019
Proceeds from the sale of property plant and equipment, investment property and intangible assets	- (15,612)	(3,830)
Total adjustments on the provision of services that are investing or financing activities	(31,522)	(13,813)
Net Cash Flows from Operating Activities	(16,525)	(2,045)

Note B to the Cash Flow Statement - Operating Activities (Interest)	2014/15	2013/14
	£'000	£'000
Operating activities within the cashflow statement include the following cash flows relating to interest		
Ordinary interest received	23	222
Opening Debtor	39	171
Closing Debtor	(12)	(34)
Interest Received	50	359
Interest charge for year	(4,380)	(11,730)
Adjustment for difference between effective interest rates and actual interest payable		(700)
Adjustment for internal interest charged to balance sheet funds		7,019
Opening Creditor	-	-
Closing Creditor		
Interest Paid	(4,380)	(5,411)

Note C to the Cash Flow Statement - Cash Flows from Investing Activities	2014/15	2013/14
	£'000	£'000
Property, Plant and Equipment Purchased	(56,714)	(37,165)
Opening Capital Creditors	(7,928)	(6,858)
Closing Capital Creditors	7,913	7,928
Purchase of Property, Plant and Equipment, investment property and intangible assets	(56,729)	(36,095)
Purchase of short term investments	(84,654)	(155,934)
Long term loans granted	-	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	7,732	2,459
Proceeds from short term investments	101,851	219,772
Other capital cash receipts	1,968	458
Capital Grants Received	16,218	19,281
Other Receipts from Investing Activities	18,186	19,739
Total Cash Flows from Investing Activities	(13,614)	49,941

Note D to the Cash Flow Statement - Cash Flows from Financing Activities	2014/15	2013/14
	£'000	£'000
Cash receipts of long term borrowing	38,474	7,019
Billing Authorities - Council Tax and NNDR adjustments	566	691
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	685	1,077
Repayment of Short-Term and Long-Term Borrowing	(582)	(57,624)
Payments for the reduction of a finance lease liability	-	-
Total Cash Flows from Financing Activities	39,143	(48,837)

Note E - Makeup of Cash and Cash Equivalents	2014/15	2013/14
	£'000	£'000
Cash and Bank Balances	3,560	54
Cash Investments - regarded as cash equivalents	16,529	11,031
Bank Overdraft	-	-
	20,089	11,085

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 2014/15

	Transport	Early Years Children & Youth	Wellbeing	Leader
	£'000	£'000	£'000	£'000
Fees, charges & other income	(22,428)	(15,150)	(44,915)	(5,351)
Government grants	(1,101)	(84,616)	(8,394)	(1,386)
Total Income	(23,529)	(99,766)	(53,309)	(6,737)
Employee expenses	7,524	67,170	4,153	8,238
Other service expenses	20,092	45,808	98,927	5,780
Support service recharges	2,068	10,194	5,918	900
Total Expenditure	29,684	123,172	108,998	14,918
Net Expenditure	**6,155**	**23,406**	**55,689**	**8,181**

	Neighbourhoods	Sustainable Development	Community Resources	Homes & Planning	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Fees, charges & other income	(9,561)	(18,053)	(39,588)	(3,221)	**(158,267)**
Government grants	(1,361)	(191)	(60,382)	(10)	**(157,441)**
Total Income	(10,922)	(18,244)	(99,970)	(3,231)	**(315,708)**
Employee expenses	12,248	4,979	17,449	4,720	**126,481**
Other service expenses	17,185	6,477	80,254	1,387	**275,910**
Support service recharges	3,097	4,353	6,325	1,096	**33,951**
Total Expenditure	32,530	15,809	104,028	7,203	**436,342**
Net Expenditure	**21,608**	**(2,435)**	**4,058**	**3,972**	**120,634**

Portfolio Income & Expenditure 2013/14

	Transport	Early Years Children & Youth	Wellbeing	Leader
	£'000	£'000	£'000	£'000
Fees, charges & other income	(22,845)	(14,349)	(41,639)	(5,625)
Government grants	(764)	(83,512)	(7,388)	-
Total Income	(23,609)	(97,861)	(49,027)	(5,625)
Employee expenses	8,209	69,123	3,717	7,700
Other service expenses	19,854	45,509	94,216	7,143
Support service recharges	2,605	7,391	7,195	948
Total Expenditure	30,668	122,023	105,128	15,791
Net Expenditure	**7,059**	**24,162**	**56,101**	**10,166**

	Neighbourhoods	Sustainable Development	Community Resources	Homes & Planning	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Fees, charges & other income	(6,435)	(18,074)	(35,089)	(3,219)	**(147,275)**
Government grants	(1,275)	(36)	(57,311)	(40)	**(150,326)**
Total Income	(7,710)	(18,110)	(92,400)	(3,259)	**(297,601)**
Employee expenses	11,768	5,344	16,933	4,467	**127,261**
Other service expenses	14,063	6,544	75,062	1,800	**264,191**
Support service recharges	2,886	4,072	4,770	824	**30,691**
Total Expenditure	28,717	15,960	96,765	7,091	**422,143**
Net Expenditure	21,007	(2,150)	4,365	3,832	**124,542**

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.

	2014/15	2013/14
	£'000	£'000
Net expenditure in the portfolio analysis	120,634	124,542
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	36,326	29,583
Amounts included in the analysis not included in the Comprehensive Income and	-	
Expenditure Statement	(1,342)	4,714
Cost of Services in Comprehensive Income and Expenditure Statement	**155,618**	158,839

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.

2014/15	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	(158,267)		-	(830)	50,139	(108,958)	-	(108,958)
Interest & Investment				23		23	(23)	-
income				14,223		14,223	(29,746)	(15,523)
Income from council Tax			-			-	-	-
Government grants &	(157,441)			2,821		(154,620)	(140,323)	(294,943)
contributions						-		-
Total Income	(315,708)	-	-	16,237	50,139	(249,332)	(170,092)	**(419,424)**
Employee expenses	126,481		(2,639)	(1,053)		122,789	7,000	129,789
Other service expenses	275,910			(6,245)		269,665	293	269,958
Support service	33,951				(50,139)	(16,188)		(16,188)
recharges						-		-
Depreciation,			17,271			17,271		17,271
amortisation &			21,694			21,694		21,694
impairment						-		-
Interest payments				(10,055)		(10,055)	4,380	(5,675)
Precepts & levies		-		(226)		(226)	2,385	2,159
Payments to housing						-		-
Capital Receipts Pool						-	-	-
Gain or loss on disposal						-	2,050	2,050
of Fixed Assets						-	-	-
Total Expenditure	436,342	-	36,326	(17,579)	(50,139)	404,950	16,108	**421,058**
Surplus or deficit on the provision of services	**120,634**	**-**	**36,326**	**(1,342)**	**-**	**155,618**	**(153,984)**	**1,634**

2013/14	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	(147,275)				35,248	(112,027)		(112,027)
Interest & Investment				222		222	(222)	-
income				14,004		14,004	(22,213)	(8,209)
Income from council Tax						-		-
Government grants &	(150,326)					(150,326)	(141,319)	(291,645)
contributions								
Total Income	(297,601)	-	-	14,226	35,248	(248,127)	(163,754)	**(411,881)**
Employee expenses	127,261		(1,764)	2,456		127,953	8,786	136,739
Other service expenses	264,191		925	(21)		265,095	2,283	267,378
Support service	30,691				(35,248)	(4,557)		(4,557)
recharges						-		-
Depreciation,			16,657			16,657		16,657
amortisation &			13,765			13,765		13,765
impairment						-		-
Interest payments				(11,730)		(11,730)	11,730	-
Precepts & levies				(217)		(217)		(217)
Payments to housing						-		-
Capital Receipts Pool						-	1	1
Gain or loss on disposal						-	12,317	12,317
of Fixed Assets								-
Total Expenditure	422,143	-	29,583	(9,512)	(35,248)	406,966	35,117	**442,083**
Surplus or deficit on the provision of services	**124,542**	**-**	**29,583**	**4,714**	**-**	**158,839**	**(128,637)**	**30,202**

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.

	2014/15 Income	**2014/15 Expend**	**Deficit/ (Surplus)**	2013/14
	£'000	**£'000**	**£'000**	£'000
School and Other Catering	3,755	4,062	**307**	106
Cleaning Services	1,016	813	**(203)**	11
Fleet Management	2,250	2,546	**296**	237
Passenger Transport Services	5,395	5,750	**355**	120
Trade Refuse Collection	692	563	**(129)**	(146)
Building Maintenance	112	112	**0**	(6)
Print Services	509	498	**(11)**	30
Bath Museum Shops	2,279	1,957	**(322)**	(331)
Surplus for Year	16,008	16,301	**293**	21

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.

	2014/15	2013/14
	£'000	£'000
Net surplus on trading operations	293	21
Services to the public included in Expenditure of Continuing Operations	(96)	(363)
Support services recharged to Expenditure of Continuing Operations	389	384
Net Surplus credited to Other Operating Expenditure	293	21

28 POOLED FUNDING

The Council has Pooled Budget arrangements under section 31 of the Health Act 1999 with NHS Bath & North East Somerset CCG. The Pooled Budgets are hosted by the Council. There are three Pooled Budgets :-

Adult Learning Difficulties

	2014/15	2013/14
	£'000	£'000
Balance Brought Forward from previous year	**-**	-
Gross Funding		
Bath & North East Somerset Council	**18,557**	18,941
Bath & North East Somerset Clinical Commissioning Group	**5,401**	4,643
Income from Client Contributions	**1,468**	1,604
Interest on External Funding Balances	**18**	23
Total Funding	**25,444**	25,211
Total Expenditure	**25,444**	25,211
Net Underspend /over spend	-	-

Community Equipment

	2014/15	2013/14
	£'000	£'000
Gross Funding		
Bath & North East Somerset Council	**232**	433
Bath & North East Somerset Clinical Commissioning Group	**473**	307
Interest on External Funding Balances & Fees	**-**	2
Total Funding	**705**	742
Spend on community equipment	705	742
Total Expenditure	**705**	742

Children and Young People with Multiple and Complex Needs

	2014/15	2013/14
	£'000	£'000
Gross Funding		
Bath & North East Somerset Council	**2,487**	2,484
Bath & North East Somerset Primary Care Trust	**392**	131
Total Funding	**2,879**	2,615
Total Expenditure	**2,460**	2,462
Net Underspend / (overspend)	**419**	153

29 MEMBERS' ALLOWANCES

The total cost of Members Allowances for 2014/15 including employers national insurance, pensions contributions and expenses was £906,263 (£937,738 in 2013/14).

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

		Basic & Special Allowance	Expenses	Total
		£	£	£
ALLEN	S	26,177	-	**26,177**
ANKETELL-JONES	PM	11,086	82	**11,167**
APPLEYARD	R	8,636	-	**8,636**
BALL	S	7,852	260	**8,112**
BALL	TM	26,177	591	**26,768**
BARRETT	CV	7,852	82	**7,934**
BEATH	CE	10,232	-	**10,232**
BELLOTTI	DF	26,177	1,063	**27,240**
BEVAN	SF	10,062	428	**10,489**
BLANKLEY	MP	7,852	-	**7,852**
BRETT	LJ	13,777	1,472	**15,249**
BRINKHURST	L	7,852	46	**7,898**
BULL	JA	16,192	39	**16,231**
BUTTERS	TN	8,793	-	**8,793**
CHALKER	BA	8,072	-	**8,072**
CLARKE	AK	7,852	-	**7,852**
COOMBES	NJ	7,852	-	**7,852**
CROSSLEY	PN	38,367	774	**39,142**
CURRAN	GF	21,607	-	**21,607**
DAVIS	S	15,332	-	**15,332**
DEACON	DE	7,852	36	**7,887**
DIXON	D	26,177	120	**26,297**
EDWARDS	PM	7,852	126	**7,978**
EVANS	M	7,852	288	**8,140**
FOX	PJ	12,339	8	**12,347**
FURSE	AJ	7,852	-	**7,852**
GAZZARD	T	6,760	-	**6,760**
GERRISH	CD	11,443	533	**11,976**
GILCHRIST	IA	13,040	118	**13,158**
HAEBERLING	F	7,852	-	**7,852**
HALE	AD	7,852	-	**7,852**
HALL	KF	9,032	70	**9,102**
HARDMAN	EJ	8,900	269	**9,169**
HARTLEY	N	8,264	120	**8,384**
HEDGES	SP	10,192	-	**10,192**
JACKSON	EM	14,548	338	**14,885**
KEW	LJ	7,852	1,300	**9,152**
LAMING	DW	9,384	-	**9,384**
LEES	MJH	7,852	-	**7,852**
LONGSTAFF	M	15,332	-	**15,332**
MACRAE	BJ	7,852	-	**7,852**
MARTIN	DJ	8,202	-	**8,202**
MOSS	R	17,127	538	**17,665**
MYERS	P	7,852	-	**7,852**
NICOL	D	7,852	359	**8,211**
ORGAN	BS	7,852	-	**7,852**
PLAYER	J	7,852	-	**7,852**
PRITCHARD	VL	15,332	2,162	**17,494**
RICHARDSON	EA	7,852	-	**7,852**
RIGBY	A	12,829	-	**12,829**
ROBERTS	CM	26,177	108	**26,285**
ROBERTS	N	7,852	-	**7,852**
ROMERO	UM	26,177	224	**26,401**
SANDRY	WA	7,852	-	**7,852**
SIMMONS	B	7,852	-	**7,852**
SIMMONS	KS	7,852	-	**7,852**
SPARKS	J	7,852	-	**7,852**
STEVENS	BCD	26,285	275	**26,560**
SYMONDS	RA	9,855	664	**10,518**
VEAL	M	16,125	-	**16,125**
VEALE	DJ	7,852	333	**8,185**
WARD	G	7,852	-	**7,852**
WARREN	T	18,750	673	**19,423**
WATT	C	7,852	85	**7,937**
Total		**782,812**	**13,582**	**796,394**

30 OFFICER REMUNERATION

Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2015

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	£
Chief Executive - Jo Farrar	150,000	1,097		31,500	182,597

Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2015

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	
Strategic Director - People & Communities	130,000	1,978	630	27,300	159,908
Strategic Director of Resources	120,000	798	670	25,200	146,668
Strategic Director for Place	120,000	489	-	25,200	145,689
Director of Public Health	122,654	-	1,643	17,171	141,468
Monitoring Officer & Divisional Director	97,761	-	630	20,530	118,921
Divisional Director - Finance & Business Support	106,761	21	205	22,420	129,407

Senior Officers emoluments - annualised salary of £150,000 or more for the year ending 31 March 2014

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	
Chief Executive - Jo Farrar	150,000	1,393		28,500	179,893

Senior Officers emoluments - annualised salary between £50,000 and £150,000 for the year ending 31 March 2014

Post Holder	Salary	Expenses	Benefits in Kind e.g. Car Allowance	Employer Pension Contrib'ns	Total
	£	£	£	£	
Strategic Director - People & Communities	130,000	2,459	963	24,700	158,122
Strategic Director of Resources	120,000	891	320	22,800	144,011
Strategic Director for Place	120,968	165	-	22,984	144,117
Director of Public Health	101,901	1,316	7,000	14,266	124,483
Monitoring Officer & Divisional Director	97,275	-	963	18,482	116,720
Divisional Director - Finance & Business Support	97,275	125	205	18,482	116,087

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	**2014/15 Teachers**	**2014/15 Others**	**2014/15 Total**	2013/14 Teachers	2013/14 Others	2013/14 Total
£50,000 - £54,999	23	37	**60**	20	35	55
£55,000 - £59,999	8	8	**16**	13	12	25
£60,000 - £64,999	9	4	**13**	13	5	18
£65,000 - £69,999	5	2	**7**	6	3	9
£70,000 - £74,999	1	6	**7**	2	4	6
£75,000 - £79,999	-	9	**9**	-	7	7
£80,000 - £84,999	1	5	**6**	1	2	3
£85,000 - £89,999	-	3	**3**	1	4	5
£90,000 - £94,999	1	2	**3**	1	3	4
£95,000 - £99,999	-	5	**5**	-	3	3
£100,000 - £104,999	-	1	**1**	-	-	-
£105,000 - £109,999	-	1	**1**	-	2	2
£110,000 - £114,999	-	1	**1**	-	1	1
£115,000 - £119,999	-	-	**-**	-	-	-
£120,000 - £124,999	-	3	**3**	-	2	2
£125,000 - £129,999	-	2	**2**	-	1	1
£130,000 - £134,999	-	-	**-**	-	-	-
£135,000 - £139,999	-	-	**-**	-	-	-
£140,000 - £144,999	-	-	**-**	-	-	-
£145,000 - £149,999	-	-	**-**	-	-	-
£150,000 - £154,999	-	1	**1**	-	1	1
£155,000 - £159,999	-	-	**-**	-	-	-
£160,000 - £164,999	-	-	**-**	-	-	-
£165,000 - £169,999	-	-	**-**	-	-	-
£170,000 - £174,999	-	-	**-**	-	1	1
£175,000 - £179,999	-	-	**-**	-	-	-
£180,000 - £184,999	-	1	**1**	-	-	-
£185,000 - £189,999	-	-	**-**	-	1	1
	48	**91**	**139**	57	87	144

The above totals include 14 staff who would not have been included in the note if it were not for one-off severance payments (16 staff in 2013/14). This included 0 in the Teacher category (3 in 2013/14) and 14 in the Others category (13 in 2013/14).

The list above includes Senior Officers, who are also listed separately in Note 30.

32 EXIT PACKAGES

The Authority terminated the contracts of a number of employees in 2014/15, incurring liabilities of £0.889m (£3.3m in 2013/14). 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)	**2014/15 Number of Compulsory Redund'cies**	**2014/15 Number of Other Exits Agreed**	**2014/15 Total Cost £**	2013/14 Number of Compulsory Redund'cies	2013/14 Number of Other Exits Agreed	2013/14 Total Cost £
£0 - £20,000	**-**	**22**	**153,577**	5	42	388,534
£20,001 - £40,000	**-**	**7**	**214,292**	3	26	836,809
£40,001 - £60,000	**-**	**7**	**349,234**	4	13	807,039
£60,001 - £80,000	**-**	**1**	**71,984**	-	7	481,943
£80,001 - £100,000	**-**	**-**	**0**	1	3	346,653
£100,001 - £150,000	**-**	**1**	**100,101**	-	2	279,226
£150,001 - £200,000	**-**	**-**	**0**	-	-	0
£200,001 - £250,000	**-**	**-**	**0**	-	1	205,779
	0	**38**	**889,188**	13	94	3,345,983

33 EXTERNAL AUDIT COSTS

The Council has incurred the following fees payable to its auditors, Grant Thornton UK LLP	**2014/15 £'000**	2013/14 £'000
Fees payable with regard to external audit services	**164**	164
Fees payable for the certification of grant claims and returns	**18**	20
Fees payable for other services during the year	**8**	8
	190	192

In addition, the Council received a rebate from the Audit Commission of £14,050 relating to fees paid for the 2012/13 audit.

34 DEDICATED SCHOOLS GRANT

The Dedicated Schools Grant (made under section 14 of the Education Act 2002) has been deployed in accordance with the regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the School Standards and Framework Act 1998.

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped to by the Department to fund academy schools in the council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 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 2014/15 are as follows:

	2014/15 Central Expenditure **£'000**	**2014/15** Individual Schools Budget **£'000**	**2014/15 Total £'000**	2013/14 Total £'000
Final DSG for before Academy recoupment			**118,341**	116,849
Academy figure recouped			**44,463**	41,587
Total DSG after Academy recoupment			**73,878**	75,262
plus Brought forward from previous year			**4,459**	3,785
less Carry forward into future year agreed in advance				
Final budget distribution	27,784	50,553	**78,337**	79,047
In-Year Adjustment*	41		**41**	
less Actual central expenditure	21,781		**21,781**	23,016
less Actual ISB deployed to schools	-	50,673	**50,673**	51,572
plus Local authority contribution for year			**-**	-
Carry forward	6,044	(120)	**5,924**	4,459

** Notification was received from the Department for Education after the closing of our accounts of an amendment to our Dedicated Schools Grant - Early Years Block, increasing the allocation by £41,000.*

35 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

Credited to Taxation and Non Specific Grant Income	**2014/15 £'000**	2013/14 £'000
Council Tax Income	**76,381**	74,086
Revenue Support grant	**26,469**	31,106
Contribution from the Non-Domestic Rate Pool	**19,822**	19,715
Local Services Support Grant	**163**	208
Council Tax Freeze Grant	**798**	790
Department for Education	**3,362**	3,386
Department of Transport	**7,402**	9,999
Department of Health	**400**	204
Other	**1,481**	1,690
Third party contributions	**1,387**	133
Section 106 Developer Contributions	**2,658**	573
	140,323	141,890

Credited to Services		
Education Services Grant	**1,922**	2,027
Education Funding Agency (incl. Universal Infant Free School Meals)	**2,525**	1,210
Pupil Premium Grant	**3,331**	2,352
Mandatory rent allowances	**54,030**	51,658
Public Health Grant	**7,384**	7,184
Department of Health	**911**	516
National Treatment Agency	**-**	64
Department of Transport	**1,056**	740
DCLG	**3,723**	3,549
New Homes Bonus Grant	**2,665**	1,977
Other	**7,224**	4,443
Third party contributions	**507**	296
Section 106 Developer Contributions	**30**	153
	85,308	76,169

The above is in addition to the Dedicated Schools' Grant, which is separately disclosed in Note 34.

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

Current Liabilities

	2014/15	2013/14
	£'000	£'000
Grants Receipts In Advance (Capital Grants)		
Section 106 Developer Contributions	**1,130**	2,231
Various Capital Grants	**637**	1,020
Total	**1,767**	3,251
Grants Receipts In Advance (Revenue Grants)		
Various Service Grants	**2,274**	2,201
Total	**2,274**	2,201

Long-Term Liabilities

	2014/15	2013/14
	£'000	£'000
Grants Receipts In Advance (Capital Grants)		
Section 106 Developer Contributions	**3,677**	4,469
Total	**3,677**	4,469

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. There are no material outstanding balances between the Council and the Related Parties disclosed below.

Central Government

Central UK 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 of £1,451,146 (£1,440,124 13/14) and support services costs of £407,155 (£412,510 13/14) provided. Five B&NES Councillors are voting members on the Pensions Committee.

West of England Partnership

The Council, as accountable body to the West of England Partnership, acts as agent for regional central government grants.

Bath Tourism Plus

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.

Members & Officers

Four Members of the Council are members of the Avon Fire Authority.
Two Members are members of the Bath Recreation Ground Trust.
Thirteen Members are Parish / Town Councillors
One Member is on the Board of Curo
One Member is on the Board of the Local Enterprise Partnership (LEP)

The Council made payments of £223,154 (£421,180 13/14) 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 NHS B&NES Clinical Commissioning Group to commission adult social care, health and housing services (previously with the PCT until 31st March 2013 prior to the enactment of the Health & Social Care Act 2012). 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.

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:	**2014/15**	2013/14
	£'000	£'000
School Improvements	**4,745**	2,536
Highways / Road Safety & Bridge Strengthening	**15,381**	6,053
Keynsham Redevelopment Project	**10,221**	14,851
Capitalised Buildings Maintenance	**1,764**	2,113
Western Riverside Project	**48**	1,497
Bath Transport Package - Main Scheme	**4,750**	3
Odd Down Playing Sports Facilities	**2,049**	-
Gypsy & Traveller Site	**1,125**	-
Acquisition - Seven Dials	**8,651**	-
Other	**9,195**	10,112
	57,929	37,165

(excludes Revenue expenditure funded from capital under statute)

Capital Expenditure was categorised as follows:

	2014/15	2013/14
	£'000	£'000
Property, plant and equipment	**41,259**	16,393
Investment properties	**9,076**	712
Intangible assets	**244**	220
Heritage Assets	**-**	69
Assets under construction	**6,135**	19,771
Non Current Assets held for sale	**-**	-
Capital Loans	**1,215**	650
Revenue expenditure funded from capital under statute	**4,631**	6,757
Total expenditure	**62,560**	44,572

Sources of finance:

Capital Receipts	**9,024**	10,221
Grants	**19,009**	16,277
Borrowing	**29,282**	16,086
3rd Party Contributions	**1,551**	445
Revenue	**1,005**	817
S.106 contributions	**2,689**	726
Total financing	**62,560**	44,572

Capital Financing Requirement

	2014/15 £'000	2013/14 £'000
Opening Capital Financing Requirement	**153,025**	141,783
Capital Investment	**62,560**	44,572
Sources of Finance:		
Capital Receipts	**(9,024)**	**(10,221)**
Government grants & other contributions	**(23,249)**	**(17,448)**
Sums set aside from revenue (including MRP)	**(5,928)**	**(5,661)**
Closing Capital Financing Requirement	**177,384**	153,025
Increase in underlying need to borrow unsupported by Government financial assistance	**29,282**	16,086
Less minimum revenue provision repayment	**(4,923)**	(4,844)
Increase / (decrease) in Capital Financing Requirement	**24,359**	11,242

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:

	2014/15 £'000	2013/14 £'000
Other Land & Buildings	**2,446**	2,430
Vehicles, Plant & Equipment	**-**	17
	2,446	2,447

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 and other equipment financed under the terms of various operating leases. The lease rentals paid in 2014/15 were £197,931 (£73,792 in 2013/14).

The future payments required under these leases are £1,393,606, comprising the following elements:

	2014/15 £'000	2013/14 £'000
Not later than one year	**125**	371
Later than one year and not later than five years	**1,269**	1,962
Later than five years	**-**	1
	1,394	2,334

The Council holds property leases which are operating leases. The amount paid in rent for 2014/15 was £692,350 (2013/14 was £818,630).

The future commitments required under these leases in 2014/15 are £410,910, comprising the following elements:

	2014/15 £'000	2013/14 £'000
Not later than one year	**322**	694
Later than one year and not later than five years	**89**	411
Later than five years	**-**	-
	411	1,105

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

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 £14,233,622 (£14,119,570 in 2013/14).
The net book value of these properties is £257,725,133 (£231,814,119 in 2013/14).

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

	2014/15	2013/14
	£'000	£'000
Not later than one year	**4,553**	3,196
Later than one year and not later than five years	**2,341**	3,761
Later than five years	**7,340**	7,163
	14,234	14,120

39 EXCEPTIONAL ITEMS

Gain/Loss on Disposal of Non-Current Assets
The net loss on disposal of £2.050m as shown in Note 9 Other Operating Expenditure, mainly results from the gain from the sale of land at Charlton Road Keysham (K2), offset by Bath Sport and Leisure Centre loss when this transfered to an operating lease basis with the Recreation Trust.

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 2014/15 the council paid £3.889m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £4.110m 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. The authority is not liable to the scheme for any other entities obligations under the plan.

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, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).
- 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.

2015/16 & 2016/17 Up-Front Payment of Local Government Pension Scheme Deficit Contributions

In 2014/15, the Council made an up-front payment of the LGPS deficit contributions for the three years 2014/15 - 2016/17 totalling £14.042m. The up-front payment took advantage of the independent actuary's calculation of the return these contributions could achieve once invested by the Pension Fund. The discount calculated by the actuary for making the up-front payment rather than the normal approach of monthly payments in arrears over the three year period was £1.091m, reducing total payments from £15.133m to £14.042m. The return was judged to be far greater than could have been achieved by investing the amounts as part of the Council's treasury management strategy and the approach represented good value for money for the Council.

The actual payment made in 2014/15 was £14.042m, and the actuary calculated the Equivalent Discounted annual Lump Sums Certified across the 3 years as follows:
£4.633m relating to 2014/15,
£4.674m relating to 2015/16, and
£4.735m relating to 2016/17.

The Pension Liability as at 31st March 2015 has been reduced by the total £14.042m payment, and the full amount was reflected in the actuarial valuation as at 31st March 2015. However, only the £4.633m relating to 2014/15 has been charged to the General Fund in the 2014/15 Statement of Accounts, with the future years' amounts not yet credited to the Pensions Reserve. The payments relating to 2015/16 and 2016/17 will be credited to the Pension Reserve and charged to the General Fund in the years to which the payment relates, via the Movement In Reserves Statement.

The result of this is that the Pensions Liability and the Pensions Reserve will not self-balance until the end of 2016/17, by when the full £14.042m payment will have been charged to the General Fund.

Transactions relating to post-employment 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 2014/15	2013/14	Unfunded Liabilities (Teachers) Discretionary Benefits 2014/15	2013/14
Comprehensive Income and Expenditure Statement	**£'000**	£'000	**£'000**	£'000
Cost of Services:				
Current Service Costs	**12,323**	13,013		
Past Service Cost	**-**	-	**-**	-
Settlement and Curtailment (Gain) / Loss	**650**	(778)	**-**	-
Administration Expenses	**232**	221		
Financing and Investment Income & Expenditure:				
Net Interest Expense	**6,042**	7,856	**958**	930
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**19,247**	20,312	**958**	930
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement				
Remeasurement of the net defined benefit liability:				
Return on plan assets (excluding the amount included in the net interest expenses)	**-**	(12,886)	**-**	(731)
Actuarial gains and losses arising on changes in demographic assumptions	**-**	(2,822)	**-**	76
Actuarial gains and losses arising on changes in financial assumptions	**89,650**	(32,910)	**1,951**	(1,528)
Total Remeasurements	**89,650**	(48,618)	**1,951**	(2,183)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**108,897**	(28,306)	**2,909**	(1,253)
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	**19,247**	20,312	**958**	930
Actual amount charged against General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	**23,153**	13,024		
less upfront deficit payment for 2015/16 & 2016/17	**(9,409)**	-		
	(2,257)	(2,247)	**-**	-
Retirement benefits payable to pensioners			**24,383**	23,075

Assets and Liabilities in Relation to Retirement Benefits in the Balance Sheet

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

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities (Teachers) Discretionary Benefits	
	2014/15	2013/14	**2014/15**	2013/14
	£'000	£'000	**£'000**	£'000
Present value of defined benefit obligation	**683,245**	**573,606**	**24,383**	23,075
Fair value of plan assets	**(481,219)**	**(417,686)**	**-**	-
Net liability arising from defined benefits obligation	**202,026**	**155,920**	**24,383**	**23,075**

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities (Teachers) Discretionary Benefits	
	2014/15	2013/14	**2014/15**	2013/14
	£'000	£'000	**£'000**	£'000
Opening Balance at 1 April	**573,606**	600,996	**23,075**	25,922
Current service cost	**12,323**	13,013		
Interest cost	**24,846**	24,866	**958**	930
Contributions from scheme participants	**3,904**	3,674		
Actuarial gains and losses	**89,650**	(48,618)	**1,951**	(2,183)
Benefits paid	**(21,734)**	(19,431)	**(1,601)**	(1,594)
Past service costs	**650**	(894)	**-**	-
Past service gain	-	-	**-**	-
Closing Balance at 31 March	**683,245**	573,606	**24,383**	23,075

Reconciliation of the Movements in the Fair Value of the Scheme Assets:

	Local Government Pension Scheme	
	2014/15	2013/14
	£'000	£'000
Opening Fair Value of scheme assets at 1 April	**417,686**	406,443
Interest on Plan Assets	**18,804**	17,010
Remeasurement Gain (Loss)	**39,638**	(2,697)
Administration Expenses	**(232)**	(221)
Contributions from employer	**23,153**	13,024
Contributions from employees into the scheme	**3,904**	3,674
Benefits paid	**(21,734)**	(19,547)
Closing Balance at 31 March	**481,219**	417,686

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 £58.442m (2013/14 £27.602m).

Scheme History

	2009/10	2010/11	2011/12	2012/13	2013/14	**2014/15**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Present value of liabilities:						
Local Government Pension Scheme	(503,953)	(489,340)	(524,107)	(600,996)	(573,606)	**(683,245)**
Discretionary Benefits	(24,223)	(22,079)	(23,625)	(25,922)	(23,075)	**(24,383)**
Fair value of assets in the Local Government Pension Scheme	334,613	357,115	362,458	406,443	417,686	**481,219**
Surplus/(deficit) in the scheme:						
Local Government Pension Scheme	(169,340)	(132,225)	(161,649)	(194,553)	(155,920)	**(202,026)**
Discretionary Benefits	(24,223)	(22,079)	(23,625)	(25,922)	(23,075)	**(24,383)**
Long Term Liability in Balance Sheet	(193,563)	(154,304)	(185,274)	(220,475)	(178,995)	**(226,409)**

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £226m 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 2015/16 are estimated to be £8.8m. Estimated contributions to the Discretionary Benefits scheme are £1.6m.

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2013, which showed a shortfall of assets against liabilities of £0.88 billion as at that date, equivalent to a funding level of 78%. The fund's employers are paying additional contributions over a period of up to 27 years in order to meet the shortfall.
The weighted average duration of the authority's defined benefit obligation is 17 years, measured on the actuarial assumptions used for IAS19 purposes.

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 2013.
The principal assumptions used by the actuary have been:

	Avon Pension Fund		Discretionary Benefits (Teachers) Scheme	
	2014/15	2013/14	**2014/15**	2013/14
Long term expected rate of return on assets in the scheme:				
Equity investments	**6.5%**	7.0%		
Government Bonds	**2.2%**	3.4%		
Other Bonds	**2.9%**	4.3%		
Property	**5.9%**	6.2%		
Cash / Liquidity	**0.5%**	0.5%		
Other	**Asset Dependant**			
Mortality assumptions :				
Longevity at 65 for current pensioners:				
Men	**23.4**	23.3	**23.4**	23.3
Women	**25.9**	25.8	**25.9**	25.8
Longevity at 65 for future pensioners:				
Men	**25.8**	25.7		
Women	**28.8**	28.7		
Rate of inflation	**2.0%**	2.4%	**2.0%**	2.4%
Rate of increase in salaries	**3.5%**	3.9%		
Rate of increase in pensions	**2.0%**	2.4%	**2.0%**	2.4%
Rate for discounting scheme liabilities	**3.2%**	4.4%	**3.1%**	4.3%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	13,240	(13,240)
Rate of Inflation (increase or decrease by 1%)	12,021	(12,021)
Rate of increase in salaries (increase or decrease by 1%)	2,265	(2,265)
Rate of discounting scheme liabilities (increase or decrease by 1%)	(11,814)	11,814

Risks and Investment strategy

The Avon Pension Fund does not have an explicit asset and liability matching strategy. The primary objective of its investment strategy is to generate positive real investment return above the rate of inflation for a given level of risk to meet the liabilities as they fall due over time. When setting the investment strategy, the expected volatility of the assets relative to the value placed on the liabilities was measured and taken into account. The aim of the 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 such as equities, bonds, property and other alternative investments, and uses a number of investment managers. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions.

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 2015**		Assets at 31 March 2014	
	£'000	**%**	£'000	%
Equity investments	**282,617**	**58.7%**	236,140	56.5%
Government Bonds	**67,253**	**14.0%**	46,793	11.2%
Other Bonds	**42,311**	**8.8%**	33,679	8.1%
Other	**89,038**	**18.5%**	101,074	24.2%
Total	**481,219**	**100%**	417,686	100.0%

History of experience gains and losses

Actuarial losses identified as movements on the Pensions Reserve in 2014/15 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2015.

	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Difference between the expected and actual return on scheme assets:						
amount (£'000)	**39,638**	(2,697)	30,725	(13,953)	(872)	(70,093)
percentage	**8.2**	0.6	7.6	3.8	0.2	20.9
Experience gains and losses on liabilities						
amount (£'000)	**-**	-	-	-	16,835	113,936
percentage	**0.0**	0.0	0.0	3.4	3.4	22.5
	39,638	**(2,697)**	**30,725**	**(13,953)**	**15,963**	**43,843**
Cumulative gains / losses recognised	**113,519**	**73,881**	**76,578**	**45,853**	**59,806**	**43,843**

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 2015 apportioned to this Council is £13.95m (£14.54m in 2013/14). 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 2014	Principal Repaid	**31 March 2015**
	£000	£000	**£000**
Ex- Avon loan debt principal repayment	14,536	(582)	**13,954**

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 £4.923m calculated as follows:

	2014/15	2013/14
	£000	£000
4% of Capital Financing Requirement (CFR)	**3,503**	3,584
Adjustment allowed under Capital Finance Regulations	**(1,551)**	(1,551)
Provision based on estimated useful life of new assets since 2008	**2,971**	2,811
Statutory Minimum Revenue Provision (MRP)	**4,923**	4,844

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.

a) For existing schemes the Council will determine that its MRP is equal to the amount determined in accordance with the former regulations.

b) 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.

44 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:	2014/15 Exp. £'s	2014/15 Income £'s	2014/15 Assets £'s	2014/15 Liabilities £'s
Alice Park Trust		(1,331)	141,866 *	
Bath Recreation Ground Trust	0	0		
Total	**0**	**(1,331)**	**141,866**	**0**

* Includes external investments valued at £17,232. The income figure of £1,330 relates to interest earned on the balance of the account.

	2013/14 Exp. £'s	2013/14 Income £'s	2013/14 Assets £'s	2013/14 Liabilities £'s
Alice Park Trust	1	(1,018)	140,536 *	
Bath Recreation Ground Trust	306,457	(412,861)	not separately valued	
Total	**306,458**	**(413,879)**	**140,536**	**0**

* Includes external investments valued at £12,722.

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 - these are for items such as Bequests and Scholarship funds, for which external annual accounts are not prepared:

	2014/15 Exp. £'s	2014/15 Income £'s	2014/15 Assets £'s	2014/15 Liabilities £'s
Educational Funds		(221)	46,398	
Graves/memorial maintenance		(75)	15,075	
Client accounts			94,000	
Twinning Fund	130	(130)	26,130	
Bequests	2,000	(193)	37,718	
Total	**2,130**	**(619)**	**219,321**	**0**

	2013/14 Exp. £'s	2013/14 Income £'s	2013/14 Assets £'s	2013/14 Liabilities £'s
Educational Funds	0	(220)	46,177	
Graves/memorial maintenance		(75)	15,000	
Parks & Gardens maintenance	9,287	(1,661)	0	
Client accounts	93,917		94,000	
Twinning Fund	130	(130)	26,130	
Bequests		(197)	39,525	
Total	**103,334**	**(2,283)**	**220,832**	**0**

45 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 obligations of BTP and the Council are formally documented in a Tourism Services Contract which commenced in 2012 and expires in 2015. Included within this contract is a Service Level Agreement which sets out the agreed minimum levels of service that BTP is required to provide for the annual fee provided by the Council. This is also included on the Council's Risk Register.

The Company's un-audited accounts to 31st March 2015 show a turnover of £2,747,876, a net profit of £114,082 and net current assets of £287,118 (turnover of £2,559,000, a net profit of £91,630 and net current assets of £157,668 in 2013/14). 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.

46 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 activity is integrated into the West of England Local Enterprise Partnership (LEP) and is fully aligned to promoting economic growth and prosperity through the key themes of Place, People and Business and the Accountable Body for Place is Bath and Northeast Somerset Council.

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 growth in homes and jobs. Funding has been provided by Central Government including from DCLG for Core LEP Activity and Strategic Economic Plan Development, BIS for Regional Growth Funds 2 & 3 (Revolving Infrastructure Fund and Growth Fund) and the Department of Transport. The local authorities remain the primary local contributors and each provide equal shares of funding.

The table below reflects the revenue expenditure incurred by Bath and North East Somerset on behalf of the West of England Authorities:

West of England Pooled Revenue Expenditure 2014-15

Expenditure	£'000	Acting As
LEP Management & Co-ordination	394	
LEP Places & Infrastructure	871	
LEP Funds Management	652	
Other Spend	37	
Total Expenditure	1,954	
Funding		
Local Authority Contributions Core	556	Agent
Local Authority Contributions Projects	84	Agent
Govt. Grant - Core & Strategic Economic Plan	500	Principal
Govt. Grant - RIF Admin	240	Principal
Govt. Grant - Growth Fund Admin	412	Principal
Govt. Grant - Other	162	Principal
Total Income	1,954	

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 for central government grants and acts as Agent. Sums are distributed to specific projects, as various criteria are satisfied, with the receiving body or authority 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 will either paid to future grant recipients or returned to government if not used.

Grant Award	Fund b/f	Grant Received	Interest	Grant Distributed	Funds c/f
	£'000	£'000	£'000	£'000	£'000
Department of Communities and Local Government (DCLG) - Growth Points Fund	688	0	3	0	691
Department of Communities and Local Government (DCLG) - Growing Places Fund for "revolving investment fund"	14,882	0	56	7,529	7,409
Department of Business, Innovation and Skills (BIS) - Regional Growth Fund 2 for "revolving investment fund"	37,326	0	181	5,281	32,226
"Revolving investment fund" - returned Funds from Completed schemes	398	250	2	0	650
Department of Business, Innovation and Skills (BIS) - Regional Growth Fund 3 – "Growth Fund "	3,704	11,083	0	10,252	4,535
	56,998	11,333	242	23,062	45,511

47 CONTINGENT LIABILITIES

The Council's Senior Management Team have identified / reviewed 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 one is:

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.

48 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, as well as the recently acquired Beau Street hoard of coins, purchased with the support of external grants. 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.

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 pamphlets, maps, 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.

49 CITY REGION DEAL

Background

Under the City Region Deal, Bristol City, Bath & North East Somerset, North Somerset and South Gloucestershire Councils ("the Authorities") are part of a Business Rates Retention Scheme, introduced by the Government in April 2013, allowing Authorities to retain a proportion of the business rates collected locally. The Authorities are allowed to retain 100% of the growth in business rates raised in the City Regions network of Enterprise Areas over a 25 year period ending on 31/3/2039 to create an Economic Development Fund for the West of England and to manage local demographic and service pressures arising from economic growth.

A 'baseline' level of rates for each Authority has been agreed with the government for the areas designated within the Non-Domestic Rating (Designated Areas) Regulations 2014. Rates collected up to this figure (the baseline) are subject to the national rates retention system. Rates collected in excess of this figure (the 'growth figure') are retained by the Authorities under the Non-Domestic Rates Designated Area Regulations 2013 and 2014 in a pooling arrangement. The governance of the distribution of retained pooled funds will occur through a Business Rates Pooling Board constituted under the Business Rates Pooling Principles Agreement (BRPPA) signed by the four Authorities.

Transactions

Each participating authority pays an annual growth figure to South Gloucestershire Council, as the Accountable Body for the BRP, representing business rates collected in the Enterprise Areas in excess of an agreed baseline figure. Retained funds will be distributed or invested annually in accordance with the 2014 Regulations and the BRPPA as:

Tier 1: to ensure that no individual Authority is any worse off than it would have been under the national local government finance system,

Tier 2: to an Economic Development Fund (EDF) for reinvestment within the designated areas through approved programmes,

Tier 3: for the relief of demographic and service pressures associated with growth.

Cash receivable and disbursements payable by the BRP and the Council's share of these for this first year are as follows:

	Cash Transactions		Revenue & Expenditure	
	Business Rates Pool Total £'000	of which the Council's Share £'000	Council Expenditure £'000	Council Revenue £'000
Funds held by BRP at 1 April 2014	0	0	0	0
Receipts into the Pool in-year:				
- Growth sums payable by Councils to BRP in-year	(6,302)	(893)	893	0
Distributions out of the Pool BRP in-year:				
- Tier 1 no worse off	2,663	309	0	(309)
- BRP Management Fee	69	17	0	0
- EDF Management Fee	30	8	0	(30)
- Tier 3 Demographic and service pressures	0	0	0	(88)
Funds held by the BRP at 31 March 2015	**(3,540)**	**(559)**		
Analysed between:				
Uncommitted cash (Tier 2 inc. Contingency)	(2,975)	(470)	(470)	n/a
Committed cash (Tier 3)	(565)	(89)	n/a	n/a
	(3,540)	**(559)**		
Expenditure / (Revenue) recognised			**423**	**(427)**

As stated under the accounting policy note for the City Region Deal, growth paid over to the BRP is recognised as expenditure by each Council to the extent that the use of the funds by the BRP has been committed. Uncommitted cash is recognised by each Council as a debtor.

The Council's share of this uncommitted cash balance held by the BRP has been recognised in the accounts and is held in a new earmarked reserve to smooth the impact of City Region Deal transactions, and match the release of revenue support and charges for projects. The BRP has made no payments on behalf of the EDF in 2014/15.

The council itself has recognised revenue income of £427,000 from the BRP and expenditure of £423,000 to the BRP for the year.

COLLECTION FUND 2014/15

The Collection Fund is an agent's 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	2014/15 £'000	2013/14 £'000
INCOME				
Council Tax	2	**(91,155)**		(88,844)
Income collectable from business ratepayers	3	**(64,803)**		(63,413)
			(155,958)	(152,257)
EXPENDITURE				
Council Tax - Precepts and demands				
Bath & North East Somerset		**74,790**		73,387
Avon & Somerset Police	1	**10,357**		9,975
Avon Fire	1	**3,946**		3,800
			89,093	87,162
National Non-Domestic Rates (NNDR)				
Central share payment to Government		**31,232**		30,336
Local share payment to Bath & North East Somerset		**30,607**		29,730
Local share payment to Avon Fire Authority		**625**		607
Transfer of City Deal Growth Disregard to General Fund	6	**742**		-
Interest on repayments		**-**		1
Cost of Collection Allowance		**261**		261
			63,467	60,935
Impairments of debts	4			
Write off of uncollectable amounts			**468**	548
Increases / (decreases) in allowance for impairment			**50**	64
Provision for NNDR Appeals	5		**3,293**	3,182
Contributions				
Contribution towards previous year's estimated Collection Fund surplus			**699**	200
			157,070	152,091
Surplus/(Deficit) for the Year			**(1,112)**	166
Surplus/(Deficit) Brought Forward as at 1 April			**1,537**	1,371
Surplus as at 31 March	7		**426**	1,537
Council Tax Surplus to be refunded to Police & Fire Authorities			**(430)**	(421)
NNDR Deficit to be charged to Government & Fire Authority			**1,134**	569
Bath & North East Somerset Surplus			**1,130**	1,685

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.

The precepts and demands related to Council Tax are as follows;

	Precept 2014/15 £'000	**Surplus 2014/15 £'000**	Precept 2013/14 £'000	Surplus 2013/14 £'000
The Avon & Somerset Police Authority	**10,357**	**217**	9,975	23
The Avon Fire Authority	**3,946**	**83**	3,800	9

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. Estimated values at 1 April 1991 are used 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) of 60,433.3 (59,360.2 for 2013/14). This amount of Council Tax for a Band D property £1,474.24 (£1,468.35 - 2013/14) 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	10.8	5/9	6.0
Band A	6,164.7	6/9	4,109.8
Band B	15,971.3	7/9	12,422.1
Band C	16,822.8	8/9	14,953.6
Band D	11,889.8	9/9	11,889.8
Band E	8,249.0	11/9	10,082.1
Band F	4,782.5	13/9	6,908.1
Band G	4,235.5	15/9	7,059.2
Band H	342.0	18/9	684.0
Contributions in Lieu			15.4
			68,130.1
Overall Adjustment for Council Tax Support and Technical Changes			(7,696.8)
Council Tax Base			**60,433.3**

The increase in the Council Tax base between financial years is as a result of a combination of new builds, a reduction in the level of Council Tax Discounts and Exemptions and an increase in the estimated collection rate.

The income for 2014/15 is receivable from the following sources:-

	2014/15 £'000	2013/14 £'000
Billed to Council Tax payers	**(91,143)**	(88,839)
Localism Act Discounts funded from General Fund	**(8)**	(5)
s31 Family Annexes Grant	**(4)**	-
	(91,155)	(88,844)

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

The Council collects NNDR for its area based on local rateable values multiplied by a uniform business rate set nationally by Central Government. The national multipliers for 2014/15 were 47.1 pence for qualifying small businesses and 48.2 pence for all other businesses, subject to transitional arrangements. The NNDR income after reliefs of £64.803 million for 2014/15 (£63.594 million in 2013/14) resulted from a total rateable value at 31 March 2015 of £166.632 million.

Until 2013/14, the total amount due, less certain allowances, was paid to an NNDR pool administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, based on a fixed amount per head of population.

From 1 April 2013, the NNDR scheme changed following the introduction of a business rates retention scheme where local authorities retain a proportion of the total amount due (49% for B&NES and 1% for Avon Fire Authority), subject to safety net and levy payments on disproportionate losses or growth. The remaining 50% is paid to Central Government and redistributed to local authorities as Revenue Support Grant. The new scheme aims to give the Council a greater incentive to encourage economic growth in the district but also increases the risk of non-collection of rates.

In its second year of operation, the business rates retention scheme has resulted in a deficit of £2.225m against the amounts allocated to the Council, Central Government and the Fire Authority throughout 2014/15 (£1.115m deficit in 2013/14). This is due to the level of provision required to meet the probable costs of appeals, which have increased significantly in 2014/15.

4 Council Tax and NNDR - Provision for Bad Debts

The Collection Fund account provides for bad debts on Council Tax and NNDR arrears as shown below:

	2014/15	2013/14
	£'000	£'000
Council Tax		
Balance at 1 April 2014	**397**	405
Write-offs during the year	**(144)**	(210)
Contributions to provisions during the year	**164**	202
Net Increase/(Decrease) in Provision	**20**	(8)
Balance at 31 March 2015	**417**	397
NNDR		
Balance at 1 April 2014	**477**	405
Write-offs during the year	**(324)**	(338)
Contributions to provisions during the year	**354**	410
Net Increase/(Decrease) in Provision	**30**	72
Balance at 31 March 2015	**507**	477
Total		
Balance at 1 April 2014	**874**	810
Write-offs during the year	**(468)**	(548)
Contributions to provisions during the year	**518**	612
Net Increase/(Decrease) in Provision	**50**	64
Balance at 31 March 2015	**924**	874

The closing balances represent the impairment allowances for the estimated amounts that may become uncollectable in future.

2013/14 figures have been restated to be consistent with a change to the presentation of the Provision for Bad Debts. This has no impact on the overall Collection Fund performance in that year.

5 Provision for Appeals

An estimate of the impact of business rate appeals, where businesses believe they have been overcharged and have made an appeal to the Valuation Office Agency (VOA), has been made, including for the effect of backdated appeals costs prior to 1 April 2014.

	2014/15	2013/14
	£'000	£'000
Balance at 1 April 2014	**3,182**	-
Cost of Appeals settled during the year	**(1,972)**	-
Contributions to provisions during the year	**3,293**	3,182
Net Increase/(Decrease) in Provision	**1,321**	3,182
Balance at 31 March 2015	**4,503**	3,182

The increase in the provision for appeals is due to a significant increase in the number of appeals notified to the VOA before 31 March 2015, following a change to the rules on backdating of successful appeals. The impact of possible future business rate appeals, where an appeal had not yet been notified to the VOA by 31 March 2015, is therefore now likely to only result in a backdated effect in limited circumstances.

6 City Deal Growth Disregard

From 2014/15, the Council is allowed to retain 100% of the growth in Business Rates in its Enterprise Area. The growth is transferred to the Council's General Fund before being pooled with other participating authorities (see Note 49 to the Main Financial Statements for full details).

7 Balance of Fund & Distribution

As at 31 March 2015, the balance on the Collection Fund stood at an overall surplus of £0.425m.

The credit balance for Council Tax, due to the Council, Police and Fire Authority, and the debit balance for Non-Domestic Rates, due from the Council, Central Government and the Fire Authority, is as follows:

	Council Tax	NNDR	Total
	£'000	£'000	£'000
Central Government	-	(1,112)	**(1,112)**
Bath & North East Somerset	2,220	(1,090)	**1,130**
Avon & Somerset Police	311	-	**311**
Avon Fire	118	(22)	**96**
	2,649	**(2,224)**	**425**

Surpluses declared by the Collection Fund are apportioned to the precepting bodies in subsequent financial years.
Deficits likewise are proportionately charged to the precepting bodies in following financial years.

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 2014 to 31 March 2015.

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 2014/15 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 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.

1.4 **Actuarial Valuations**
As required by the Local Government Pension Scheme Regulations 2013 an actuarial valuation of the Fund was carried out as at 31 March 2013. The market value of the Fund's assets at the valuation date was £3,146 million. The Actuary estimated that the value of the Fund was sufficient to meet 78% of its expected future liabilities of £4,023 million in respect of service completed to 31 March 2013.

1.5 At the 2013 valuation the deficit recovery period for the Fund overall was set at 20 years.

1.6 The 2013 actuarial valuation was carried out using the projected unit actuarial method. The main assumptions used to set employers' contributions, are set out in the table below:

	Past Service Liabilities	Future Service Liabilities
Rate of Discount	4.8% per annum	5.6% per annum
Rate of pensionable pay inflation	4.1% per annum	4.1% per annum
Rate of price inflation	2.6% per annum	2.6% per annum

1.7 The 2013 triennial valuation was completed during 2013/14 using market prices and membership data as at 31 March 2013. The 2013 valuation set the employer contribution rates for future service and deficit recovery payments (expressed as a monetary amount payable annually) with effect from 1 April 2014.

1.8 The Actuary has estimated that the funding level as at 31 March 2015 has fallen to 78% from 84% at 31 March 2014. This fall in the funding level is due to the fall in real yields during the period. Investment returns contributed positively to the funding position but was not sufficient to offset the increase in the liabilities. The value of the future pension liabilities is calculated using a discount rate based on UK gilt yields, so as gilt yields fall, the value of these liabilities rises.

1.9 Note 17 to the accounts shows the actuarial present value of promised retirement benefits for the purposes of IAS19 using the assumptions and methodology of IAS 19. The discount rate referenced for IAS19 is the Corporate Bond yield. The discount rate used for the Actuarial Valuation references the Fund's investment strategy.

1.10 The Fund's Funding Strategy Statement can be found on the Fund's website www.avonpensionfund.org.uk (search Funding Strategy Statement).

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 (search Statement of Investment Principles).

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 2015 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. All these valuations are subject to the custodian's and fund manager's internal control reports and external auditors.

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 2015.

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 2015.

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 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. The last such valuation was at 31 March 2013. Currently employer contribution rates range from 7.0% to 30.2%. Employees' contributions have been included at the rates prescribed by the Local Government Pension Scheme Regulations 2013. The employee contribution rates range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015.

2.4 Normal contributions both from members and the employer are accounted for on an accruals basis in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Benefits, Refunds of Contributions and Cash Transfer Values

2.5 From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

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

2.7 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.

2.8 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. The charges are index linked to pension's increases to ensure that the Fund receives the full value.

Investment Income

2.9 Dividends and interest have been accounted for on an accruals basis. Some of the income on pooled investments is accumulated and reflected in the valuation of the units. Some of the income on pooled investments (mainly property) is distributed.

Investment Management & Administration

2.10 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.

2.11 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. In 2014/15 a provision has been made for performance fees that have been incurred but are subject to phased payments or are not to be paid until the realisation of the related investments. These remain subject to change as a consequence of future performance. Fees are also payable to the Fund's global custodian and other advisors.

Taxation

2.12 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

2.13 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 25d.

Events After the Balance Sheet Date

2.14 The Statement of Accounts is adjusted to reflect events that occur after the end of the reporting period that provide evidence of conditions that existed at the end of the reporting period, should they occur. The Statement of Accounts is not adjusted to reflect events that are indicative of conditions that arose after the reporting period, but where material, disclosure is made in the notes of the nature and estimated financial effect of such events.

Financial Instruments

2.15 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 or amortised cost.

Fund Account

For the Year Ended 31 March 2015

	Notes	2014/15 £'000	2013/14 £'000
Contributions and Benefits			
Contributions Receivable	4	**202,100**	143,276
Transfers In	18	**4,794**	18,776
Other Income	5	**496**	442
		207,390	162,494
Benefits Payable	6	**157,156**	149,791
Payments to and on account of Leavers	7	**5,001**	6,868
Administrative Expenses	8	**2,804**	2,883
		164,961	159,542
Net Additions from dealings with members		**42,429**	2,952
Returns on Investments			
Investment Income	10	**28,104**	29,092
Profit & losses on disposal of investments & change in value of investments	11	**435,645**	185,124
Investment Management Expenses		**(15,795)**	(11,682)
Fund Manager Performance Fees	9	**(1,802)**	(4,931)
Net Returns on Investments		**446,152**	197,603
Net Increase in the net assets available for benefits during the year		**488,581**	200,555
Net Assets of the Fund			
At 1 April		**3,346,211**	3,145,656
At 31 March		**3,834,792**	3,346,211

Net Assets Statement at 31 March 2015

	Notes	31 March 2015 £'000	%	31 March 2014 £'000	%
INVESTMENT ASSETS					
Fixed interest securities : Public Sector		**111,675**	**2.8**	92,694	2.8
Equities		**603,222**	**16.2**	542,777	16.2
Diversified Growth Funds		**368,177**	**9.4**	314,340	9.4
Index Linked securities : Public Sector		**238,962**	**5.7**	189,176	5.7
Pooled Investment vehicles:					
- Property : Unit Trusts		**111,753**	**3.1**	102,865	3.1
: Unitised Insurance Policies		**57,075**	**1.4**	46,063	1.4
: Other Managed Funds		**146,839**	**3.3**	112,058	3.3
Property Pooled Investment vehicles		**315,667**		260,986	
- Non Property : Unitised Insurance Policies		**903,760**	**23.2**	778,501	23.2
: Other Managed Funds		**1,202,443**	**31.4**	1,051,084	31.4
Non Property Pooled Investment Vehicles		**2,106,203**		1,829,585	
Cash Deposits		**94,416**	**2.5**	85,023	2.5
Other Investment balances		**4,805**	**0.3**	9,361	0.3
INVESTMENT LIABILITIES					
Derivative contracts (Foreign Exchange hedge)		**1,874**	**0.4**	12,199	0.4
Derivative Contracts: FTSE Futures		**152**	**-**	162	-
Other Investment balances		**(5,281)**	**(0.2)**	(5,097)	(0.2)
TOTAL INVESTMENT ASSETS	12	**3,839,872**		3,331,206	
Net Current Assets					
Current Assets	14	**10,592**	**0.7**	24,980	0.7
Current Liabilities	14	**(15,672)**	**(0.2)**	(9,975)	(0.2)
Net assets of the scheme available to fund benefits at the period end		**3,834,792**	**100.0**	3,346,211	100.0

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2015.

Notes to Accounts - Year Ended 31 March 2015

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 scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:
– The Local Government Pension Scheme Regulations 2013 (as amended)
– The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
– The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

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 26.

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 Regulations 2013.

2 MEMBERSHIP

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

	31 March 2015	31 March 2014
Employed Members	**34,765**	34,846
Pensioners	**26,006**	25,985
Members entitled to Deferred Benefits	**35,714**	35,321
TOTAL	**96,485**	96,152

A further estimated 900 ex-members whose membership was for up to 2 years before 1st April 2004 or up to 3 months after that date are due refunds of contributions. It is not possible to put an exact value on this liability until these ex-members have been traced and their entitlement verified.

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.

4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are analysed below:-

		2014/15 £'000		2013/14 £'000
Employers' normal contributions				
Scheduled Bodies	**58,507**		55,066	
Administering Authority	**7,704**		6,902	
Admission Bodies	**7,784**	**73,995**	6,876	68,844
Employers' deficit Funding				
Scheduled Bodies	**67,052**		27,384	
Administering Authority	**14,042**		4,146	
Admission Bodies	**3,496**	**84,590**	1,571	33,101
Total Employer's normal & deficit funding		**158,585**		101,945
Employers' contributions - Augmentation				
Scheduled Bodies	**5,446**		4,312	
Administering Authority	**489**		537	
Admission Bodies	**138**	**6,073**	147	4,996
Members' normal contributions				
Scheduled Bodies	**29,491**		28,868	
Administering Authority	**3,798**		3,530	
Admission Bodies	**3,313**	**36,602**	3,300	35,698
Members' contributions toward additional benefits				
Scheduled Bodies	**685**		474	
Administering Authority	**123**		127	
Admission Bodies	**32**	**840**	36	637
Total		**202,100**		143,276

Deficit funding contributions have been paid by employers in respect of the recovery of their deficit relating to past service. The deficit funding contributions in 2014/15 include £73,947K of discounted contributions that the actuary has calculated to cover the required deficit contributions for the three years commencing 2014/15.

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.

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

	2014/15 £'000	2013/14 £'000
Recoveries for services provided	**484**	426
Cost recoveries	**12**	16
	496	442

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.

6 BENEFITS PAYABLE

Analysis of Gross Benefits Payable by Type:-

	2014/15 £'000	2013/14 £'000
Retirement Pensions	**121,095**	112,720
Commutation of Pensions and Lump Sum Retirement Grants	**32,246**	34,148
Lump Sum Death Grants	**3,815**	2,923
	157,156	149,791

Analysis of Gross Benefits Payable by Employing Body:-

	2014/15 £'000	2013/14 £'000
Scheduled & Designating Bodies	**132,416**	124,288
Administering Authority	**14,342**	14,133
Admission Bodies	**10,398**	11,370
	157,156	149,791

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Leavers	2014/15 £'000	2013/14 £'000
Refunds to members leaving service	**543**	116
Individual Cash Transfer Values to other schemes	**4,458**	4,352
Group Transfers	**0**	2,400
	5,001	6,868

8 ADMINISTRATION EXPENSES

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

	2014/15 £'000	2013/14 £'000
Administration and processing	**1,996**	1,957
Actuarial fees	**372**	486
Audit fees	**29**	27
Legal and professional fees	**-**	0
Central recharges from Administrating Body	**407**	413
	2,804	2,883

9 INVESTMENT EXPENSES

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

	2014/15 £'000	2013/14 £'000
Fund Manager Base Fees	**15,378**	11,366
Fund Manager Performance Fees	**1,802**	4,931
Global custody	**66**	94
Investment Advisors	**259**	123
Performance Measurement	**39**	37
Investment Accounting	**1**	4
Investment Administration	**52**	58
	17,597	16,613

Fund Manager Performance Fees include fees that have been accrued but are subject to phased payment or not due to be paid until the realisation of the related assets. Unpaid fees remain subject to variation as a result of future performance. The 2013/14 Performance Fees include £1,127k relating to 2013/14 and £3,804k relating to previous years. Total fund manager fees include management charges for pooled investments that are settled directly within the pooled vehicles in accordance with the investment management agreement.

10 INVESTMENT INCOME

	2014/15 £'000	2013/14 £'000
Interest from fixed interest securities	**3,482**	3,557
Dividends from equities	**16,628**	16,651
Income from Index Linked securities	**3,019**	5,091
Income from pooled investment vehicles	**4,521**	3,480
Interest on cash deposits	**405**	282
Other - stock lending	**49**	31
TOTAL	**28,104**	29,092

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 2015 was £14.57 million (31 March 2014 £17.27m), comprising of equities and sovereign debt. This was secured by collateral worth £15.45 million comprising equities and sovereign debt. The Fund does not sell collateral unless there is a default by the owner of the collateral.

11 CHANGE IN TOTAL NET ASSETS

Change in Market Value of Investments	Value at 01/04/14 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	**Value at 31/03/15 £'000**
Fixed Interest Securities	92,694	10,951	(13,868)	21,898	**111,675**
Equities	542,777	379,470	(368,729)	49,704	**603,222**
Index Linked Securities	189,176	73,272	(65,761)	42,274	**238,961**
Pooled Investments-					
- Property	260,986	96,802	(66,363)	24,243	**315,668**
- Non Property	2,143,925	327,298	(262,842)	265,999	**2,474,380**
Derivatives	12,361	89,107	(109,820)	10,378	**2,026**
	3,241,919	976,900	(887,383)	414,496	**3,745,932**
Cash Deposits	85,023	691,405	(683,328)	1,316	**94,416**
Net Purchases & Sales		1,668,305	(1,570,711)	97,594	
Investment Debtors & Creditors	4,264			(4,740)	**(476)**
Total Investment Assets	3,331,206				**3,839,872**
Current Assets	15,005			(20,085)	**(5,080)**
Less Net Revenue of Fund				(52,936)	
Total Net Assets	**3,346,211**			**435,645**	**3,834,792**

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 gains 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.

Change in Total Net Assets 2013/14

Change in Market Value of Investments	Value at 01/04/13 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	**Value at 31/03/14 £'000**
Fixed Interest Securities	109,674	12,836	(22,360)	(7,456)	**92,694**
Equities	495,980	305,283	(302,104)	43,618	**542,777**
Index Linked Securities	209,876	24,385	(30,469)	(14,616)	**189,176**
Pooled Investments-					
- Property	222,341	81,108	(61,176)	18,713	**260,986**
- Non Property	2,015,386	1,087,681	(1,070,788)	111,646	**2,143,925**
Derivatives	(3,138)	190,891	(199,962)	24,570	**12,361**
	3,050,119	1,702,184	(1,686,859)	176,475	**3,241,919**
Cash Deposits	85,895	558,772	(558,751)	(893)	**85,023**
Net Purchases & Sales		2,260,956	(2,245,610)	15,346	
Investment Debtors & Creditors	(638)			4,902	**4,264**
Total Investment Assets	3,135,376				**3,331,206**
Current Assets	10,280			4,725	**15,005**
Less Net Revenue of Fund				(15,431)	
Total Net Assets	**3,145,656**			**185,124**	**3,346,211**

Investment Transaction Costs

The following transactions costs are included in the above:

	2014/15				2013/14			
	Purchases	**Sales**	**Other**	Total	Purchases	Sales	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	**£'000**
Fees and Taxes	**1,069**	**4**	**-**	**1,073**	608	13	-	**621**
Commission	**408**	**416**	**8**	**832**	321	323	4	**648**
Total	**408**	**420**	**8**	**1,905**	929	336	4	**1,269**

12 INVESTMENT ASSETS

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

		31 March 2015 £'000		31 March 2014 £'000
UK Equities				
Quoted	**320,758**		301,719	
Pooled Investments	**232,321**		225,298	
FTSE Futures	**152**	**553,231**	162	527,179
Diversified Growth Funds				
Pooled Investments	**368,177**	**368,177**	314,340	314,340
Overseas Equities				
Quoted	**282,464**		241,057	
Pooled Investments	**1,265,573**	**1,548,037**	1,083,136	1,324,193
UK Fixed Interest Gilts				
Quoted	**111,675**		92,694	
Pooled Investments	**-**	**111,675**	14,226	106,920
UK Index Linked Gilts				
Quoted	**238,961**	**238,961**	189,176	189,176
Sterling Bonds (excluding Gilts)				
Pooled Investments	**332,615**	**332,615**	269,350	269,350
Non-Sterling Bonds				
Pooled Investments	**113,325**	**113,325**	74,588	74,588
Hedge Funds				
Pooled Investments	**162,368**	**162,368**	162,986	162,986
Property				
Pooled Investments	**315,668**	**315,668**	260,987	260,987
Cash Deposits				
Sterling	**81,503**		**78,163**	
Foreign Currencies	**12,913**	**94,416**	**6,860**	85,023
Investment Debtors/Creditors				
Investment Income	**3,807**		3,414	
Sales of Investments	**998**		5,948	
Foreign Exchange Hedge	**1,874**		12,199	
Purchases of Investments	**(5,280)**	**1,399**	(5,097)	16,464
TOTAL INVESTMENT ASSETS		**3,839,872**		3,331,206

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	EUR	16,168	GBP	(19,900)	**1,763**	
Up to one month	JPY	22,508	GBP	(3,998,000)	**94**	
Up to one month	GBP	1,994,000	JPY	(11,522)		**(315)**
Up to one month	GBP	215,600	USD	(128,974)		**16,280**
Up to one month	USD	128,164	GBP	(215,600)	**(17,091)**	
One to six months	EUR	257,130	GBP	(327,070)	**19,916**	
One to six months	GBP	212,800	EUR	(169,528)		**(15,184)**
One to six months	GBP	28,314,000	JPY	(163,268)		**(3,921)**
One to six months	GBP	455,700	USD	(285,799)		**21,466**
One to six months	JPY	207,461	GBP	(36,290,000)	**3,199**	
One to six months	NOK	2,354	GBP	(27,594)	**49**	
One to six months	USD	283,691	GBP	(455,700)	**(23,573)**	
Six to twelve months	EUR	118,080	GBP	(153,800)	**6,148**	
Six to twelve months	GBP	46,800	EUR	(36,307)		**(2,255)**
Six to twelve months	GBP	18,780,000	JPY	(104,287)		**1,818**
Six to twelve months	GBP	680,500	USD	(445,465)		**13,473**
Six to twelve months	JPY	103,157	GBP	(18,780,000)	**(2,948)**	
Six to twelve months	USD	441,893	GBP	(680,500)	**(17,045)**	
Total					**(29,488)**	**31,362**
	Net forward currency contracts at 31st March 2015					**1,874**
	Open forward currency contracts at 31 March 2014				37,052	(24,853)
	Net forward currency contracts at 31st March 2014					**12,199**

Exchange Traded Derivatives held at 31 March 2015:-

Contract Type	Expiration	Book Cost £'000	Unrealised Gain £'000
FTSE equity futures	June 2015	18,836	152

Exchange Traded Derivatives held at 31 March 2014:-

FTSE equity futures	June 2014	28,433	162

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 passively managed investment where the costs of investing directly in UK equities would be significant.

Forward “over the counter” foreign exchange contracts are held to reduce the impact of fluctuations in the exchange rate between sterling and the other currency.

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 2015 £'000	%	31 March 2014 £'000	%
Blackrock	**1,216,272**	**31.7**	1,071,963	32.2
Standard Life	**243,477**	**6.3**	0	-
Record	**20,651**	**0.5**	28,129	0.8
Jupiter Asset Management	**175,662**	**4.6**	160,956	4.8
Genesis Investment Management	**160,247**	**4.2**	145,092	4.4
Invesco Perpetual	**291,423**	**7.6**	239,795	7.2
State Street Global Advisors	**124,517**	**3.2**	107,147	3.2
Partners Group	**154,212**	**4.0**	113,446	3.4
Royal London Asset Management	**310,439**	**8.1**	251,101	7.5
TT International	**195,021**	**5.1**	185,717	5.6
Man Investments	**-**	**0.0**	1,115	0.0
Gottex Asset Management	**59,188**	**1.5**	58,062	1.7
Stenham Asset Management	**39,645**	**1.0**	37,654	1.1
Signet Capital Management	**63,535**	**1.7**	66,155	2.0
Barings Asset Management	**-**	**0.0**	209,798	6.3
Pyrford International	**124,700**	**3.2**	104,542	3.1
Unigestion UK Ltd	**191,725**	**5.0**	166,687	5.0
Schroder Investment Management	**434,251**	**11.3**	365,163	11.0
Bank of New York Mellon	**23,362**	**0.6**	7,964	0.2
Treasury Management	**11,545**	**0.3**	10,720	0.3
TOTAL INVESTMENT ASSETS	**3,839,872**	**100.0**	3,331,206	100.0

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 2015 £'000**	**% of Net Asset**	**Value at 31st March 2014** £'000	**% of Net Asset**
RLPPC UK Corporate Bond Fund (Royal London)	310,439	8.11%	251,101	7.54%
Invesco Perpetual Global ex UK Enhanced Index Fund	291,423	7.61%	239,795	7.20%
Standard Global Absolute	243,477	6.36%	-	-
Blackrock Advisors UK Ltd (Aquila Life UK Equity Index Fund)	227,789	5.95%	220,957	6.63%
MSCI Equity Index Fund B-US (BlackRock)	219,389	5.73%	173,125	5.20%
Unigestion Uni-Global – Equity Emerging Mkt SAC GBP	191,725	5.01%	166,687	5.00%
Baring Dynamioc Asset Allociation Fund	-	-	209,798	6.30%

14 CURRENT ASSETS AND CURRENT LIABILITIES

Provision has been made in the accounts for debtors and creditors known to be outstanding at 31 March 2015.

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

		31 March 2015 £'000		31 March 2014 £'000
CURRENT ASSETS				
Contributions Receivable				
- Employers	6,431		8,490	
- Members	2,968		2,919	
Transfer Values Receivable	-		10,600	
Discretionary Early Retirement Costs	351		1,952	
Other Debtors	842	10,592	1,019	24,980
CURRENT LIABILITIES				
Management Fees	(1,639)		(950)	
Provision for Performance Fees	(5,510)		(4,373)	
Transfer Values Payable	(1)		(2,400)	
Lump Sum Retirement Benefits	(1,447)		(645)	
Other Creditors	(7,075)	(15,672)	(1,607)	(9,975)
NET CURRENT ASSETS		(5,080)		15,005

The provision for Performance Fees includes fees that have been incurred but are subject to phased payment or not due to be paid until the realisation of the related assets. They remain subject to variation as a result of future performance. At 31 March 2015 Other Creditors includes a £4,524k refund due to Bristol City Council for overpaid contributions.

Analysis of Debtors and Creditors by Public Sector Bodies:-

CURRENT ASSETS	31 March 2015		31 March 2014	
	£'000	£'000	£'000	£'000
Local Authorities	6,920		11,028	
NHS Bodies	11		-	
Other Public Bodies	2,794		13,211	
Non Public Sector	867		741	
		10,592		24,980
CURRENT LIABILITIES				
Local Authorities	(5,313)		(11)	
Other Public Bodies	(1,512)		(3,789)	
Non Public Sector	(8,847)	(15,672)	(6,175)	(9,975)
NET CURRENT ASSETS		(5,080)		15,005

15 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2015. (March 2014 = NIL)

16 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after 31 March 2015 that require any adjustment to these accounts. Investments are valued at fair value and any gain or loss is only realised upon sale consequently any change is considered a non-adjusting event.

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

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 as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31st March 2015	31st March 2014
Rate of return on investments (discount rate)	**3.3% per annum**	4.5% per annum
Rate of pay increases	**3.5% per annum***	3.9% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	**2.0% per annum**	2.4% per annum

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

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% per annum versus 4.5% per annum). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £4,396 million.

The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by c£718 million. Adding interest over the year increases the liabilities by a further c£198 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another c£3 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is £5,315 million.

18 TRANSFERS IN

During the year ending 31 March 2015 group transfers in to the fund from Strode College to Weston College and from Stroud College to South Gloucestershire and Stroud College were completed. The estimated values of these transfers were included in the 2012/13 and 2013/14 Statements of Accounts. The actual values did not vary materially from the estimated values.

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. 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.

	31 March 2015	31 March 2014
	£'000	£'000
Benefits Paid and Recharged	**6,312**	6,240

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 2014/15 were £274 (2013/14 - £498). Additional Voluntary Contributions received from employees and paid to Friends Life during 2014/15 were £371,799 (2013/14 - £407,897).

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

	31 March 2015	31 March 2014
	£'000	£'000
Equitable Life		
With Profits Retirement Benefits	**417**	501
Unit Linked Retirement Benefits	**271**	286
Building Society Benefits	**195**	235
	883	1,022
Death in Service Benefit	**82**	150
Friends Life		
With Profits Retirement Benefits	**123**	157
Unit Linked Retirement Benefits	**3,762**	3,625
Cash Fund	**315**	447
	4,200	4,229

AVC investments are not included in the Fund's financial statements in accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

21 RELATED PARTIES

Committee Member Related:-

In 2014/15 £37,516 was charged to the Fund in respect of Allowances paid to the voting Members of the Avon Pension Fund Committee (£37,238 in 2013/14). Eight voting members and no 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 2014/2015. (Six voting members and one non-voting member in 2013/2014, including five B&NES Councillor Members)

Independent Member Related:-

Two Independent Members were paid allowances of £7,532 and £13,237 respectively during the year for their work in relation to the Pension Fund Committee and the Investment Panel. They are entitled to claim reasonable expenses which are included in the above allowances. The Independent Members are not eligible to join the Local Government Pension Scheme.

Employer Related:-

During the year 2014/15 the Fund paid B&NES Council £309,649 for administrative services (£295,990 in 2013/14) and B&NES Council paid the Fund £25,341 for administrative services (£31,715 in 2013/14). Various Employers paid the fund a total of £166,848 for pension related services including pension's payroll and compiling data for submission to the actuary (£141,397 in 2013/14).

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 2015 the Fund had outstanding commitments relating to investments in property that will be drawn down in tranches by the Investment Managers totalling £151,284,981 (31st March 2014 £61,724,899).

A further outstanding commitment of $US300,000,000 (31st March 2014 nil) relating to investments in a pooled fund of underlying infrastructure assets will be drawn down in tranches by the Investment Managers.

23 KEY MANAGEMENT REMUNERATION

Of Bath & North East Somerset Council's key management personnel, some of the remuneration costs were charged to the fund to reflect the time spent. These consisted of:
- part of the Divisional Director Business Support's salary, fees and allowances £16,948 (2013/14 £17,360) and their employer's pension contributions £3,552 (2013/14 £3,107).
- part of the Head of Business Finance and Pensions salary, fees and allowances £33,523 (2013/14 £31,540) and their employer's pension contributions £7,017 (2013/14 £5,460).

24 FINANCIAL INSTRUMENTS

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

	31/03/2015 £'000	31/03/2014 £'000
Financial Assets		
Receivables	**10,592**	24,980
Financial assets at fair value through profit or loss	**3,839,872**	3,336,303
Total Financial Assets	**3,850,464**	3,361,283
Financial Liabilities		
Payables	**(15,672)**	(15,072)
Financial liabilities at fair value through profit or loss		
Total Financial Liabilities	**(15,672)**	(15,072)
Total Net Assets	**3,834,792**	3,346,211

All investments are disclosed at fair value. Carrying value and fair value are therefore the same. Payables and Receivables are valued at amortised cost. The carrying value has not been amortised and therefore is the same as the fair value. The gains and losses recognised in the Fund Account in relation to financial instruments are made up as follows:-

Net Gains & Losses on Financial Instruments

	Financial assets at fair value through profit or loss	
	2014/15 £'000	2013/14 £'000
Losses on derecognition	**(3,805)**	(4,918)
Reductions in fair value	**(24,311)**	(239,774)
Total expense in Fund Account	**(28,116)**	(244,692)
Gains on derecognition	**92,566**	323,622
Increases in fair value	**350,046**	97,545
Total income in Fund Account	**442,612**	421,167
Net gain/(loss) for the year	**414,496**	176,475

25 FINANCIAL RISK MANAGEMENT DISCLOSURE

The primary objective of the Avon Pension Fund is to generate positive real investment return above the rate of inflation 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 such as equities, bonds, property and other alternative investments. As a result the Fund is exposed to a variety of financial risks including market risk (price, interest rate and currency risk), credit risk and liquidity risk.

The Fund's investments are managed by external Investment Managers. Each manager is required to invest in accordance with the terms of the agreed investment guidelines that sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions. 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. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions.

(a) Market Risk

Market risk is the risk of loss from fluctuations in market prices, interest rates or currencies. The Fund is exposed through its investments portfolio to all these market risks. The objective of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return.
Volatility in market risk is primarily managed through diversification across asset class and investment managers

Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate caused by factors other than interest rates or currencies. These changes can be caused by factors specific to the individual instrument, its issuer or factors affecting the market in general and will affect the assets held by the Fund in different ways.

All investments present a risk of loss of capital. By diversifying its investments across asset classes, geography and industry sectors, investment mandate guidelines and Investment Managers the Fund aims to reduce its exposure to price risk. Diversification seeks to reduce the correlation of price movements. 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.

The Fund has a high allocation to equities and therefore the fluctuation in equity prices is the largest market risk within the portfolio. The maturity profile of the Fund and strong underlying covenant underpins the allocation to equities which are expected to deliver higher returns over the long term.

Market Price Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns of the assets held within the Fund (provided by the Fund's advisors). The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the three years to 31 March 2015. These movements in market prices have been judged as possible for the 2014/15 reporting period. This analysis assumes 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 by the amounts shown below. However, the likelihood of this risk materialising in normal circumstances is low by virtue of the diversification within the Fund. The volatility figure at Total Assets level incorporates the impact of correlation across the asset classes; therefore the Total Assets increase /decrease is not the sum of the parts.

The analysis for the year ending 31 March 2015:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	527,446	10.1%	580,824	474,068
Overseas Equities	1,323,210	9.3%	1,446,401	1,200,019
Global inc UK	250,612	9.6%	274,721	226,503
UK Bonds	444,290	7.2%	476,412	412,168
Overseas Bonds	113,325	7.3%	121,643	105,007
Index Linked Gilts	238,961	9.7%	262,092	215,830
Pooled Multi Assets	368,177	3.3%	380,400	355,954
Property	315,668	1.9%	321,634	309,702
Alternatives	162,368	2.6%	166,590	158,146
Cash	94,416	0.0%	94,425	94,407
Total Assets	**3,838,473**	**6.1%**	**4,071,069**	**3,605,847**

The analysis for the year ending 31 March 2014 is shown below:

Asset Type	Value £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	509,345	12.3%	571,892	446,797
Overseas Equities	1,134,606	12.1%	1,271,553	997,659
Global inc UK	207,422	11.0%	230,176	184,668
UK Bonds	376,270	6.5%	400,727	351,812
Overseas Bonds	74,588	7.4%	80,078	69,099
Index Linked Gilts	189,176	8.8%	205,862	172,491
Property	260,987	1.6%	265,137	256,838
Alternatives	477,326	3.2%	492,601	462,052
Total Assets	**3,229,720**	**7.3%**	**3,464,198**	**2,995,243**

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

	31/03/2015 £'000	31/03/2014 £'000
Cash and Cash Equivalents	**94,416**	85,023
Fixed Interest Assets	**796,576**	640,034
Total	**890,992**	725,057

Interest Rate Risk - Sensitivity Analysis

Fluctuations in 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 2015 of a 100 basis point (1%) change in interest rates. The analysis assumes that all other variables including foreign currency exchange rates remain constant.

An increase or decrease of 100 basis points (bps) in interest rates would have increased or decreased the net assets by the amount shown below.

As at 31 March 2015		**Change in net assets**	
	Value £'000	**+100 BPS £'000**	**-100 BPS £'000**
Cash and Cash Equivalents	94,416	-	-
Fixed Interest Assets	796,576	(110,405)	110,405
Total	**890,992**	**(110,405)**	**110,405**

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 2014 is shown below:

As at 31 March 2014		**Change in net assets**	
	Value £'000	**+100 BPS £'000**	**-100 BPS £'000**
Cash and Cash Equivalents	85,023	-	-
Fixed Interest Assets	640,034	(83,332)	83,332
Total	**725,057**	**(83,332)**	**83,332**

Currency Risk

Currency risk represents the risk that the fair value of financial instruments when expressed in Sterling 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. A significant proportion of the Fund's equity portfolio is invested in overseas stocks. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value for foreign denominated investments will fall. The Fund has a dynamic hedging arrangement In place which reduces the volatility of returns over the longer term (the hedging programme hedges the exposure to the US Dollar, Yen and Euro).

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. For the global property funds the share class of the pooled funds held has been used. The funds of hedge funds and Diversified Growth Funds are not included in this analysis given the share classes held are either in Sterling or hedged back to Sterling.

Currency risk by asset class:

Currency Exposure - Asset Type	**Asset value as at 31st March 2015 £'000**	**Asset value as at 31st March 2014 £'000**
Overseas Equities	**1,548,037**	1,324,193
Overseas Fixed Income	**113,325**	74,588
Overseas Property	**154,212**	112,058

Currency Risk - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates has been analysed using the volatility which is broadly consistent with a one-standard deviation movement in the currency and incorporates the impact of correlation across currencies. The analysis assumes a 50% hedge ratio on the equity and bond assets to reflect the dynamic hedging strategy.

A strengthening of Sterling against the various currencies by one standard deviation (expressed as a percentage) at 31 March 2015 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 £'000**	**% Change**	**Value on Increase £'000**	**Value on Decrease £'000**
Overseas Equities	1,548,037	3.8%	1,606,655	1,489,419
Overseas Fixed Income	113,325	3.8%	117,616	109,034
Overseas Properties	154,212	3.8%	160,051	148,373

The same analysis for the year ending 31 March 2014 is shown below:

Currency Risk by Asset Type:

Asset Type	**Value (£) £'000**	**% Change**	**Value on Increase £'000**	**Value on Decrease £'000**
Overseas Equities	1,324,193	3.3%	1,367,307	1,281,080
Overseas Fixed Interest	74,588	3.3%	77,017	72,160
Overseas Property	112,058	3.3%	115,707	108,410

(b) Credit Risk

Credit risk is 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. In addition, the market values of investments will reflect an assessment of creditworthiness 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 though 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. Credit risk on over-the-counter derivative contracts is minimised by the various insurance policies held by exchanges to cover defaulting counterparties.

Forward currency contracts are entered into by the Fund's managers, especially the currency hedging manager, Record. These contracts are subject to credit risk in relation to the counterparties of the contracts. The responsibility for managing these contracts and counterparty risk rests with the managers. Counterparty management is evaluated as part of the due diligence process prior to appointing a manager.

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. Cash held by the Fund and managers is invested with the custodian in diversified money market funds rated AAA.

The cash held under the Treasury Management arrangements and by the custodian as at 31 March 2015 was £34.8m. This was held with the following institutions:

	31st March 2015		31st March 2014	
	Rating	**Balance £'000**	**Rating**	**Balance £'000**
Custodian's Liquidity Fund				
Bank of New York Mellon	AAA	23,361	AAA	7,962
Bank Call Accounts				
Barclays Platinum Account		-	A	1,000
Bank of Scotland Corporate Deposit Account	A	2,950	A	2,500
Goldman Sachs Global Treasury Fund (previously RBS Global Treasury Fund)	AAA	8,230	AAA	6,090
NatWest Special Interest Bearing Account	BBB+	300	BBB+	1,104
Bank Current Account				
NatWest	BBB+	6	BBB+	7

The RBS Global Treasury Fund was taken over by Goldman Sachs International on 14th April 2014. The credit rating remained at AAA. NatWest is the Fund's banker.

A securities lending programme is managed by the Fund's custodian BNY Mellon who manage and monitor the counterparty risk, collateral risk and the overall lending programme. Through its securities lending activities, the Fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. The current collateral the Avon Pension Fund accepts is AAA rated supranational debt, AA rated sovereign debt and FTSE Equity DBV. Cash collateral is not permitted. Securities lending is capped by investment regulations and statutory limits ensure no more than 25% of eligible assets can be on loan at any time.

(c) Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's investment strategy and cash management policy 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 liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long term nature of these liabilities. As a result 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 2015 the value of the illiquid assets was £722m, which represented 18.8% of the total Fund assets (31 March 2014: £634m which represented 19% of the total Fund assets).

(d) Fair Value Hierarchy

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

• Level 1 - easy to price securities. Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date. These include quoted/ listed equities, exchange traded derivatives, quoted government securities and quoted unit trusts.

• Level 2 - moderately difficult to price. Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly. For example where an instrument is traded in a market that is not considered to be active, or where valuation techniques based significantly on observable market data are used to determine fair value. Therefore Level 2 includes pooled funds where the net asset value of the pooled fund is derived from observable prices of the underlying securities including the Diversified Growth Fund that only holds quoted securities. The Fund's holding in these pooled funds can be realised at net asset value.

• Level 3 - difficult to price. Unobservable inputs for the asset or liability used to measure fair value that rely on the Fund's assumptions concerning the assumptions that market participants would use in pricing an asset or liability. Therefore Level 3 includes pooled funds such as the property funds, other Diversified Growth Funds and Fund of Hedge Funds where the net asset value is derived from unobservable inputs and 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 2015.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities - Quoted	603,222			**603,222**
Bonds - Quoted	350,636			**350,636**
Pooled Investment Vehicles		1,943,834		**1,943,834**
Fund of Hedge Funds			162,368	**162,368**
Diversified Growth Funds		124,700	243,477	**368,177**
Property			315,668	**315,668**
Cash	94,416			**94,416**
Derivatives: Forward FX	1,874			**1,874**
Derivatives: Futures	152			**152**
Investment Debtors/Creditors	(475)			**(475)**
	1,049,825	**2,068,534**	**721,513**	**3,839,872**

The fair value hierarchy as at 31 March 2014 was:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities - Quoted	536,850			**536,850**
Bonds - Quoted	281,870			**281,870**
Pooled Investment Vehicles		1,672,523		**1,672,523**
Fund of Hedge Funds			162,986	**162,986**
Diversified Growth Funds		104,542	209,798	**314,340**
Property			260,988	**260,988**
Cash	85,023			**85,023**
Derivatives: Forward FX	12,199			**12,199**
Derivatives: Futures	162			**162**
Investment Debtors/Creditors	4,265			**4,265**
	920,369	**1,777,065**	**633,772**	**3,331,206**

26 EMPLOYING BODIES

As at 31 March 2015 the following employing bodies had contributing scheme members in the Avon Pension Fund:

Principal Councils and Service Providers

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

Further & Higher Education Establishments

Bath Spa University College
City of Bath College
City of Bristol College
Norton Radstock College
South Gloucestershire & Stroud College
St. Brendan's College
University of the West of England
Weston College

Education Establishments

Abbeywood Community School Academy
Academy of Trinity
Ann Harris Academy Trust
Aspire Academy
Backwell School
Bannerman Road Community Academy
Barton Hill Academy
Bath Community Academy
Bedminster Down School Academy
Beechen Cliff Academy
Begbrook Primary Academy
Birdwell Primary School Academy
Bradley Stoke Community School
Bridge Learning Campus Foundation
Bristol Cathedral Choir School
Bristol Free School Trust
Bristol Technology & Engineering Academy
Broadlands Academy
Broadoak Mathematic & Computing College
Cabot Learning Federation
Castle School Education Trust
Cathedral Primary School
Charlborough Road Primary School
Charfield Primary School
Chew Stoke Church School
Christ Church C of E Primary School
Churchill Academy
Clevedon Learning Trust
Clevedon School Academy
Clutton Primary School Academy
Colston Girl's School Trust
Colston's Primary School Academy
Cotham School Academy
Diocese of Bristol Academies
Downend School
Easton C of E Academy
Elmlea Junior School Academy
Fairfield School
Filton Avenue Infants Academy
Fishponds Church of England Academy
Four Acres Primary School
Fosseway School
Frome Vale Academy
Gordano School Academy
Greenfield Primary School Academy
Hanham High School
Hans Price Academy
Hareclive Academy
Hayesfield Girl's School Academy
Henbury Court School
Henbury School Academy
Henleaze Junior School Academy
Heron's Moor Community School
High Littleton C of E Primary
Hotwells Primary School
Illminster Avenue E–ACT Academy
Inspirational Futures Trust
Kingshill Academy
Kings Oak Academy
Little Mead Primary School
Marlwood School
Meadow Borrk Primary School
Merchant's Academy
Midsomer Norton School Partnership
Minerva Primary Academy
Nailsea School Academy
North Somerset Learning & Technology College
Oasis Academy Bank Leaze
Oasis Academy Brightstowe
Oasis Academy Connaught
Oasis Academy John Williams
Oasis Academy Long Cross
Oasis Academy New Oak
Oasis Academy Brislington Enterprise College
One World Learning Trust
Oldfield School Academy Trust
Orchard Academy
Parson Street Primary School
Patchway Community College
Priory Community School
Ralph Allen Academy
Redland Green School Academy
Redfield Educate Together Primary Academy
Severn Beach Primary School
Sir Bernard Lovell School
Steiner Academy
St Bede's School Academy
St. Nicholas of Tolentine Catholic Primary School
St. Patrick's Academy
St. Teresa's Catholic Primary School
St. Ursula's E-ACT Academy
Stoke Bishop C of E Primary School
Stoke Lodge Academy
Summerhill Academy
The Bath Studio Academy
The Dolphin Academy
The Kingfisher School
The Ridings Federation Winterbourne
The Ridings Federation Yate
Threeways School
Tickenham Primary School
Trust in Learning
Wallscourt Farm Academy
Waycroft School Academy
Wellsway School Academy
West Town Lane Primary School
Westbury Park Primary School Academy
Westbury-on-Trym C of E Academy
Wicklea Academy
Writhlington School Academy
Yeo Moor Primary School

Designating Bodies

Almondsbury Parish Council
Backwell Parish Council
Bath Tourism Plus
Bradley Stoke Town Council
Charter Trustees of the City of Bath
Clevedon Town Council
Destination Bristol
Dodington Parish Council
Downend & Bromley Heath Parish Council
Emersons Green Town Council
Filton Town Council
Frampton Cotterell Parish Council
Hanham Abbots Parish Council
Hanham Parish Council
Keynsham Town Council
Midsomer Norton Town Council
Nailsea Town Council
Oldland Parish Council
Patchway Town Council
Paulton Parish Council
Peasedown St John Parish Council
Pill & Eastern Gordano Parish Council
Portishead & North Weston Town Council
Radstock Town Council
Saltford Parish Council
Stoke Gifford Parish Council
Thornbury Town Council
Vista SWP Ltd.
Westerleigh Parish Council
Westfield Parish Council
Weston Super Mare Town Council
Whitchurch Parish Council
Winterbourne Parish Council
Yate Town Council
Yatton Parish Council

Community Admission Bodies

Action For Children
Alliance Homes
Ashley House Hostel
Bristol Disability Equality Forum
Bristol Music Trust
Clifton Suspension Bridge Trust
CURO Places Ltd
CURO Group (Albion) Ltd
CURO Choice
Holburne Museum of Art
Learning Partnership West Limited
Merlin Housing Society (SG)
Merlin Housing Society Ltd
Sirona Care & Health CIC
Sirona Care & Health CIC (B&NES)
Southwest Grid for Learning Trust
The Care Quality Commission
The Park Community Trust
University Of Bath
Vision North Somerset
West of England Sports Trust

Transferees Admitted Bodies

Active Community Engagement Ltd
Agilisys
Aquaterra Leisure Ltd
ARAMARK
BAM Construct UK Ltd
Churchill Contract Services Ltd
Circadian Trust
Circadian Trust No. 2
Creative Youth Networks (Lot 4)
Direct Cleaning (SW) Ltd
Eden Food Services
Fit For Sport
Fit For Sport NCS
HCT Group
ISS Mediclean
ISS Mediclean (Bristol)
Keeping Kids Company
Kier Facilities Services
Learning Partnership West (Lot 1)
Learning Partnership West (Lot 2)
Learning Partnership West (Lot 3)
Learning Partnership West (Lot 7)
Liberata UK Ltd
Prestige Cleaning & Maintenance Ltd.
Ridge Crest Cleaning Limited
Shaw Healthcare (North Somerset) Ltd (Petersfield)
Shaw Healthcare (North Somerset) Ltd (The Granary)
SITA Holdings UK Ltd.
Skanska (Cabot Learning Federation)
Skanska Rashleigh Westerfoil
SLM Community Leisure
SLM Fitness and Health
Sodexo
The Brandon Trust
Tone Leisure (Trust) Ltd

1. SCOPE OF RESPONSIBILITY

Bath & North East Somerset Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its services are delivered in terms of economy, efficiency and effectiveness in order to demonstrate 'Best Value'.

In meeting its responsibilities, the Council must ensure that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The Council's system of internal control is designed to manage risk to a reasonable level rather than eliminate the risk of failure to achieve organisational objectives. Therefore the Annual Governance Statement only provides reasonable assurance around effectiveness.

The Council has adopted a Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'. A copy of the Code is accessible through the Council's website at www.bathnes.gov.uk.

This Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

Our definition of Corporate Governance is

'Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner'

This definition is underpinned by values of Integrity, Making a Difference and Innovation. The purpose of the governance framework is to allow the Authority to -

* Focus on the outcomes for the area and its community and create a vision for the local area which it can play a leadership role in helping to implement;
* Engage with local people and its other stakeholders to ensure robust public accountability;
* Foster a leadership community that sees Members and Officers working together to achieve a common purpose with clearly defined roles and responsibilities
* Promote values and behaviours for the Authority that will demonstrate how it will uphold good governance and high standards of conduct;
* Take informed and transparent decisions which manage risk and opportunity and are subject to effective scrutiny
* Develop the capacity and capability of its Members and Officers to be effective and innovative

The governance framework has been in place at B&NES Council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance framework are described below. Further details in relation to each element can be viewed through the Council's website http://www.bathnes.gov.uk or can be requested from the Council, e-mail: councilconnect@bathnes.gov.uk

1) Legal & Constitutional Governance

a) Constitution

The Council's Constitution sets out: how the Council legally operates, how formal decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Key roles and responsibilities are detailed which align to a scheme of delegation which is put in place to ensure accountability is clear. Full Council has responsibility for setting what is called the Policy and Budget Framework. This is a collection of plans, strategies and policies (including the Council's Budget) which describe how services are to be provided.

Each agenda for a Council or business meeting contains an item requiring members at the outset of the meeting to declare any relevant interests. The agendas and minutes of all the public meetings of the Council and its Committees are available on our website and all follow a standard process as set out by the Constitution.

b) Council Structure & Leadership

The Council operates under a Leader and Cabinet structure with Cabinet Members responsible for individual portfolios. The following cabinet portfolios and responsibilities were agreed at full Council:-

Council Meeting 19th May 2011	Council Meeting 21st May 2015
Leader of the Council	Leader of the Council
Community Resources	Finance & Efficiency
Wellbeing	Adult Social Care & Health
Early Years Children & Youth	Children’s Services
Homes & Planning	Homes & Planning
Sustainable Development	Economic Development
Neighbourhoods	Community Services
Transport	Transport

The Cabinet can only make decisions which are in line with the Council’s overall Policy and Budget Framework. If it wishes to make a decision which is contrary to the Policy and Budget Framework, it must be referred to the full Council to decide.

The Cabinet collectively make recommendations to the Council about the policy framework and take decisions that ensure services are provided within the framework. Full Council will decide whether to allocate decision making responsibilities to individual members of the Cabinet. If the Council decides to allocate these powers, it will also determine the scope of those powers and the range of service responsibilities allocated to each Cabinet Member.

For most “key” decisions made by the Cabinet, by Cabinet Members or by Officers, the Council is required to publish in advance information about:

(a) the matter to be decided;
(b) who will be making the decision, and
(c) the date or timescale for the decision and the place where the decision will be made.

Most day to day service decisions are taken by Council Officers. The Council appoints committees with power to carry out non-executive and other functions (e.g. planning and licensing where there is a statutory requirement for the Council to maintain committees). Non-executive functions are those which the Cabinet does not have the power to carry out.

c) Budget & Resource Setting

The Council is required to set a balanced budget on an annual basis under the Policy & Budget framework. The budget sets out how much money will be spent on services, invested in projects and the level of Council Tax for individual residents. This also includes the tax required by the Police, Fire Authorities and Parishes, although it has no control over the amount set by these bodies.

The budget process follows a set path each year involving proposals from Cabinet, scrutiny by Policy Development and Scrutiny Panels and final approval at Full Council.

d) Code of Corporate Governance

In May 2008 the Council approved a ‘local’ Code of Corporate Governance. The ‘local’ Code sets out the Council’s definition of corporate governance, the Values it stands for and the Key Principles of Corporate Governance that it has adopted

2) Democratic Governance & Scrutiny

a) Policy Development and Scrutiny Panels

The following 6 Policy Development and Scrutiny Panels were in place for the year commencing 1st April 2014:

* Early Years, Children and Youth
* Economic and Community Development
* Housing and Major Projects
* Planning, Transport and Environment
* Resources
* Wellbeing

At the Annual Council Meeting on 21st May 2015 the number of Panels was reduced to 4:

* Children & Young People
* Planning, Housing & Economic Development
* Communities, Transport & Environment
* Resources

The Panels monitor the activity of the Cabinet and also assist them in developing policy.

In addition, the Joint Health Scrutiny Committee became the Health & Wellbeing Select Committee in May 2015.

b) Standards Committee

Standards Committee is made up of five Councillors, three independent people and three Parish Councillors. The roles and responsibilities of the Committee include:

* Promoting and maintaining high standards of conduct by councillors, co-opted members and church and parent representatives on school governing bodies.
* Assisting the councillors, co-opted members and church and parent representatives on school governing bodies to observe the Members' Code of Conduct
* To recommend to the Council one or more Codes of Conduct and Practice or protocols for members and/or employees of the Council.

The Localism Act 2011 repealed the Standards Committee Regulations 2008 and a revised Local Code of Conduct was agreed by Council on the 19th July 2013.

c) Audit Committee

The Corporate Audit Committee up to 21st May 2015 was made up of six Councillors and one independent member. At the Council's Annual Meeting it was agreed that the number of Councillors would be reduced to five. The Council has delegated to this Committee responsibilities including:

* To approve on behalf of the Council its Annual Accounts, as prepared in accordance with the statutory requirements and guidance.
* To approve the External Auditors' Audit Plan and to monitor its delivery and effectiveness during the year.
* To approve the Internal Audit Plan within the budget agreed by the Council and to monitor its delivery and effectiveness (including the implementation of audit recommendations).
* To consider, prior to signature by the Leader of the Council and Chief Executive, the Annual Governance Statement.
* To review periodically the Council's risk management arrangements, make recommendations and monitor progress on improvements.
* To review periodically the Council's key financial governance procedures.
* To monitor and promote good corporate governance within the Council and in its dealings with partner bodies and contractors, including review of the Council's Code of Corporate Governance.
* To consider the Annual Audit & Inspection Letter from the External Auditor

3) Organisational Governance

a) Management Structure

A management structure is in place to operate the Council's services through the Policy and Budget Framework.

The organisation has a Chief Executive and three Strategic Directors who each have their own management structures to deliver their functions.

b) Head of Paid Service

The Chief Executive is designated as Head of Paid Service and has overall corporate management and operational responsibility (including overall management responsibility for and authority over all officers). She provides professional advice to all parties in the decision making process; and, together with the Monitoring Officer, is responsible for the system of record keeping for all Council's decisions. She represents the Council on partnership and external bodies as required by statute or by the Council.

c) Monitoring Officer

The Council Solicitor is designated as Monitoring Officer with responsibility for ensuring compliance with established policies, procedures, laws and regulations, and reporting any actual or potential breaches of the law or maladministration to the full Council and/or to the Cabinet.

At the Annual Meeting of the Council on 21st May 2015 the Council considered a report seeking approval for the designation of the new Head of Legal and Democratic Services, as the Council's Monitoring Officer from 1st June 2015. It was resolved that the Council designate the post of Head of Legal and Democratic Services as the Council's Monitoring Officer, in accordance with section 5 of the Local Government and Housing Act 1989 (as amended by Schedule 5 paragraph 24 of the Local Government Act 2000).

d) S151 Officer

In March 2010 CIPFA / SOLACE issued an application note on the CIPFA Statement on the role of the Chief Financial Officer in Local Government. This required the Chief Finance Officer (S151 Officer) to be:

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

To deliver these responsibilities the Chief Financial Officer must:

* Lead and direct a finance function that is resourced to
* Be professionally qualified and suitably experienced.

The transfer of Section 151 responsibilities from the Director of Resources & Support Services was agreed by Council in May 2010 to enable him to concentrate on the main strategic roles of supporting the Strategic Directors Group, leading strategic resource allocation, and providing the necessary support to Services in his Directorate. It was recorded that the breadth of the Director of Resources role had the potential to limit the attention able to be afforded to the S151 role.

Council was assured that the Divisional Director Finance (now Chief Finance Officer) would have direct access to the Chief Executive and be free to attend meetings of the leadership team. At such meetings and elsewhere the Council's Constitution afforded the highest status to the S151 officer. The Director of Resources would also continue to take an overview and support the DD Finance especially in relation to strategic resource allocation.

The S151 Officer has responsibility for establishing sound financial management within the Council and ensuring adherence to the Council's own financial standards and rules including the Budget Management Scheme, Financial Regulations and Contract Standing Orders. The Council has put in place a Financial Plan to support the aims of the Corporate Plan and a system of regular reporting of its financial position and performance during the year.

e) Internal Audit

Internal Audit is delivered by an in-house function and operates to the Public Sector Internal Audit Standards.

A Quality Assurance and Improvement Programme is required which will need to be self-assessed internally and externally at least every 5 years. The Council's appointed External Auditor will consider Internal Audit's overall arrangements as part of their work for the Council and the function reports progress on its work to the Audit Committee.

f) Counter Fraud & Corruption Arrangements

The Council has an Anti-Fraud and Corruption Policy that demonstrates its commitment to tackling fraud and corruption whether within or external to the Council. It details:

* The key principles of the policy;
* The roles and responsibilities of Members and Officers;
* Investigation procedures to be followed in a suspected case

The Council's Whistleblowing Policy is a component of the Anti-Fraud & Corruption Policy.

4) Planning & Policy Framework

a) Corporate Plan

The Corporate Plan represents the Council's high level strategic plan and the priorities for its administration. During 2012/13 the plan was refreshed and the Council's previous eight priorities were replaced with three objectives that describe what Bath and North East Somerset is trying to achieve and to enable it to focus resources.

Whilst the same direction of travel is maintained there was a change of emphasis that puts people first and communities at the heart of everything.

The Vision is:
* Where everyone fulfills their potential;
* With lively, active communities;
* Unique places with beautiful surroundings.

To deliver this Vision the Council will focus on three key objectives:
* Promoting independence and positive lives for everyone.
* Creating neighbourhoods where people are proud to live.
* Building a stronger economy.

Each of these objectives then has a number of outcomes that will be delivered through the Council's Plans, Policies and Strategies.

Following the elections in May 2015 a new Corporate Plan is now being developed and will be launched later in the year.

b) Medium Term Service & Resource Plan

The intention of the Medium Term Service and Resource Plans is to link outcomes of the Council's Corporate Plan to that of each of its three main Directorates:

* Resources;
* Place;
* People and Communities

Each Directorate will therefore individually represent the changes taking place and the proposals for the future in response to the key influences and challenges facing each one of them.

The Plan highlights the local and national contexts affecting each portfolio along with the individual priorities for each of its services and the overall financial and workforce planning parameters. Once approved these plans then directly feed into the formal budget setting process and completion of individual Service Plans.

In line with the associated work on the Corporate Plan a new medium term plan is being developed and will be consulted on during the Autumn of 2015.

c) Service Action Plans

Service Action Plans represent the operational annual plans for each of the services within the three main Directorates. The Plans detail the purpose and objectives of their services, budgets for the forthcoming year and the key priorities and outcomes to be achieved which relate directly back to the Corporate and Medium Term Service and Resource Plans.

The Plans are finalised once the budget has been approved in February of each year and the performance management system monitors delivery of the priorities through the service delivery programme which is reported publicly.

5) Performance Management Framework

a) Performance Management

A system of performance management is in place in the authority to monitor and manage performance from a Corporate to Service to an individual perspective.

Performance management is based on what's happened in the past, enabling intelligent planning for the future and informing current decisions to provide services. Performance Management data is compiled every quarter and this results in a comprehensive pack of performance, financial, risk and organisational health information.

This is formally reported to the Council's Senior Management Team, whilst Cabinet Members receive quarterly updates on remedial actions linked to any areas previously reported as requiring improvement.

b) Financial Management

The Council has in place a detailed framework of financial and budgetary management as a result of its responsibilities under the Policy and Budget framework.

As well as the processes already detailed above for the preparation and approval of the Budget and Medium Term Service and Resource Plans it has a number of other key elements –

* Creation and adoption of Financial Regulations and a Budget Management Scheme;
* Monthly financial dashboards which provides a detailed analysis of each individual service's financial performance;
* This identifies the latest position, current issues or potential risks to meeting service budgets as well as a forecast to the end of the financial year;
* The dashboard provides a view both against revenue and capital budgets with individual commentaries on major projects or initiatives using a RAG status;
* The Accounts themselves are based on the financial ledger used by the Council's Agresso Financial Management System;
* This system is managed and monitored by the Council's Finance Service and has inbuilt into it sufficient controls to reduce or remove the risk of fraud and corruption for example -
  a) authorisation limits for individual officers; (i.e. journals)
  b) controlled access to only authorised parts of the system;
  c) reconciliation processes to balance control accounts
* The Council's Finance Service contains appropriate skilled and experienced staff to manage the production of the accounts as well as providing training for staff in services to use the financial ledger appropriately

c) Risk Management

The Council Risk Management Strategy is reviewed annually and sets out the framework to manage risk in terms of –

* Objectives
* Processes
* Systems
* Reporting

The Cabinet and Senior Management Team maintain a Corporate Risk Register which defines and assesses risks to Council's objectives and records actions to manage these risks. The risks and actions are monitored on a quarterly basis. Strategic and Divisional Directors review Service risk management processes periodically e.g. the maintenance of Service risk registers.

Internal Audit provides an overview of the risk management framework and advises services on the operation of the relevant systems. The Corporate Audit Committee monitors the Council's risk management arrangements.

6) Partnership Governance

a) Public Services Board

Our Public Services board brings together senior representatives from local public service agencies and other key partners. It is responsible for maintaining an overview of all of our partnership arrangements as well as setting a strategic vision. It is currently working on a replacement to the Sustainable Community Strategy which should be launched during the coming financial year.

b) Health & Social Care Services

The Health & Social Care Act 2012 led to the abolition of Primary Care Trusts (PCT's) with responsibilities being transferred to Local Clinical Commissioning Groups. Much of the Clinical Commissioning Group's work is carried out by a Governing Body made up of representatives elected by 27 practices in Bath and North East Somerset.

The stated intention of the health reforms was to improve the health and wellbeing of the nation and delivering better outcomes.

The Health & Wellbeing Board is responsible for preparing a Joint Health and Wellbeing Strategy and reviewing and reporting on health and social care commissioning. Membership of the Board includes Council Officers & Members, CCG and Healthwatch representatives.

The Health & Wellbeing Board adopted a refreshed Joint Health & Wellbeing Strategy on the 25th March 2015 with three themes linked to eleven priorities. The three themes are:

1) Preventing ill health by helping people to stay healthy,
2) Improving the quality of people's lives,
3) Tackling health inequality by creating fairer life chances.

The board also received updates on the implications of the Care Act which came into force during the year and the development of the Better Care Fund and the integration agenda between the NHS and Local Government.

A Joint Health Scrutiny Panel has been established with the other Councils in the former Avon area.

c) Economic Regeneration - West of England Local Enterprise Partnership

The Local Enterprise Partnership (LEP) builds on the existing 'West of England Partnership' of the four local unitary councils and businesses in the sub-region. Significant funding is being made available to invest in economic regeneration of the sub-region through various means including the 'City Deal'.

Bath and North East Somerset Council is the Accountable Body for the central administration of the LEP, whilst individual themes and projects are led by a relevant Authority. There are specific governance mechanisms in place to control each of the funding streams and delivery of the LEP's objectives.

The key actions of the LEP Business Plan are:

1. Improving Transport Infrastructure
2. Tackling Skill mismatches and/or gaps in the workforce
3. Putting the West of England on the map: Inward Investment
4. Create a clear case for investment from the LEP to national government
5. Growing the green economy
6. Creating a successful Enterprise Zone/Enterprise Areas

7) Stakeholder Governance - Feedback & Review

a) Corporate Feedback/Complaints

The Council has a Corporate Feedback Policy and Procedure which describes how feedback will be handled and responded to whether it is suggestions or complaints.

It details how the Council will monitor and track complaints through its Customer Relationship Management system and ensure that feedback is proactively used to improve services and identify training needs.

For complaints specifically the Council has adopted a two stage approach to ensure that if the complainant is dissatisfied with the outcome of Stage 1 they can request a Stage 2 review. This review is carried out internally by officers independent of the service area to which the complaint was received. If the complainant is still dissatisfied they can request that their complaint is examined by the Local Government Ombudsman.

b) Stakeholder Communication

The Council has an established Communications Strategy to engage with citizens and the Community. Four main methods are used to communicate the Council's objectives and achievements to citizens and service users:

* 'Your Local Council Spending & Council Tax Guide' including an A-Z of Council Services is sent to all Bath & North East Somerset Council households. As well as providing statutory information relating to the Council Tax and budget setting process it provides full detail of the Council's Vision & Priorities and a review of progress.
* The Council Website, which is updated daily, and provides information about the Council & online access to services;
* The 'Inform' newsletter, which is sent weekly via email to all subscribers providing detailed news stories;
* 'Connect Magazine' is produced quarterly and sent to all households within Bath & North East Somerset.
* Council Facebook & Twitter Accounts are updated regularly to provide instant access to relevant on-going events and incidents.

The Council also undertakes consultation exercises with stakeholders, through either one off consultations on specific subjects, or through the Voicebox satisfaction survey.

c) External Audit / Inspectorates

The Council maintains an objective and professional relationship with external auditors and statutory inspectors to seek assurance that the Council is providing efficient, effective and economic services and are proactive in securing continuous improvement in the way its functions are exercised. During 2012/13 the External Auditor changed to Grant Thornton under the auspices of a new 5 year contract as a result of the abolition of the Audit Commission.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control. In accordance with best practice, the Council has adopted a methodology (Process & Assurance Framework) to formally review the governance framework for the purposes of this Statement. The components are as follows:

Management Assurance -

* A review of compliance with the adopted Local Code of Corporate Governance.
* A review of the implementation of the Risk Management Strategy.
* A review of Internal Audit Report findings and recommendations.
* A review of fraud and special investigations completed during the year by Internal Audit.
* Meetings with 'Key' Corporate Officers to specific areas including: Performance; Finance; Communications; Legal; Information Governance; Human Resources; Health & Safety; Equalities; Sustainability; Corporate Complaints and Internal Audit. The objective of these meetings was to identify issues for further discussion with Divisional Directors.

Statutory Officer Assurance

* Meeting with the Council's Statutory Officers (Head of Paid Service, Monitoring Officer and Chief Financial Officer) to discuss their roles and responsibilities and issues identified during the year.

Service Assurance -

* Meetings with Divisional Directors to capture their input using a standard Service Assurance framework.
* The Service Governance Framework consisted of the following components: Governance, Service Planning, Financial Management, Risk Management, Information Governance, Internal Control, Procurement, Project Management, Partnerships, Human Resource Management; Health & Safety, Corporate Equality; Environmental Sustainability & Climate Change and Public Interest.

Performance Management -

* A review of performance management reporting
* A review of financial management reporting

External Review Assurance -

* An examination of external inspection reports.
* An examination of external audit reports
* A review of complaints considered by the Local Government Ombudsman.

Other Sources -

* An examination of the work of the Corporate Audit Committee.
* An examination of Standards Committee and Policy Development & Scrutiny Panels minutes.
* A review of the adequacy of the complaints procedure including monitoring and reporting outcomes.
* A review of Strategic Director / Senior Management Team meeting reports / minutes.

5. PRODUCTION OF THE ANNUAL GOVERNANCE STATEMENT

The publication of the Annual Governance Statement represents the end result of the review of the effectiveness of the governance framework. Corporate involvement in the production of the Statement included:

* Strategic & Divisional Directors – Divisional Directors were interviewed as part of the review process to assist obtaining corporate involvement.
* Statutory Officers – The S151 Officer and Monitoring Officer were consulted on the review process and their roles and responsibilities and the Head of Paid Service consulted on the outcome of the review.
* Corporate Audit Committee – A report was presented to the Committee on 26th March 2015 to update the Committee on the Annual Governance Review and allow the Committee to contribute to the process.
* Leader of the Council & Chief Executive – The Annual Governance Statement 2014/15 is signed by the Leader of the Council and the Chief Executive.

6. SIGNIFICANT GOVERNANCE ISSUES

Based on the 2014/15 Annual Governance Review and its findings there were not any ‘significant’ issues to record in the Annual Governance Statement and no issues to follow up from 2013/14.

The Council continues to focus on successfully managing its key corporate risks and Cabinet and Senior Management are actively involved in planning how to deliver the Council’s services for the future through a refreshed Corporate Plan and Medium Term Service and Resource Plan, to be launched during 2015/16.

SIGNED:

Leader of the Council **Tim Warren**
DATE: 28 September 2015

SIGNED:

Chief Executive **Jo Farrar**
DATE: 28 September 2015

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 Business Support & Chief Finance Officer 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 Business Support & Chief Finance Officer responsibilities:

The Divisional Director of Business Support & Chief Finance Officer 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 Business Support & Chief Finance Officer 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 Business Support & Chief Finance Officer 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 Business Support & Chief Finance Officer

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 2015.

SIGNED:

Divisional Director of Business Support & Chief Finance Officer (s.151 officer) **Tim Richens**
DATE: 28 September 2015

SIGNED:

Chair, Corporate Audit Committee **Councillor Brian Simmons**
DATE: 28 September 2015

The Statement of Accounts were Authorised for Issue on 28th September 2015.

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.

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.

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.

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[***Prepare on client letterhead***]

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

28 September 2015

Dear Sirs

Bath and North East Somerset Council
Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of **Bath and North East Somerset Council** for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of 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 2014/15 ("the Code"); which give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi Other than in relation to the valuation of land and buildings (see paragraph xv), we are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vii Except as disclosed in the financial statements:
a there are no unrecorded liabilities, actual or contingent
b none of the assets of the Council has been assigned, pledged or mortgaged
c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

xv We have not fully complied with the Code in relation to the valuation of land and buildings as indices have been used to revalue these assets. The Council's land and buildings are valued on a five year rolling programme, but given the significant value of assets that were not valued in 2014/15, the movement in the value of these assets, as indicated by nationally available indices, such as BCIS, was material. We have used the available indices to revalue those assets, but acknowledge that this is not in compliance with the Code, which requires that values are based on RICS compliant valuations.

Information Provided

xvi We have provided you with:

a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b additional information that you have requested from us for the purpose of your audit; and

c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvii We have communicated to you all deficiencies in internal control of which management is aware.

xviii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:

a management;

b employees who have significant roles in internal control; or

c others where the fraud could have a material effect on the financial statements.

xxi We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

xxii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval
The approval of this letter of representation was minuted by the Council's Corporate Audit Committee at its meeting on 28 September 2015.

Yours faithfully

Name……………………………

Position…………………………..

Date……………………………..

Name……………………………

Position…………………………

Date……………………………..

Signed on behalf of the Council

Bath & North East Somerset Council	
MEETING:	**Corporate Audit Committee**
MEETING DATE:	**28th September 2015**
TITLE:	**Treasury Management Outturn Report 2014/15**
WARD:	All
AN OPEN PUBLIC ITEM	

List of attachments to this report:

Appendix 1 – Performance Against Prudential Indicators
Appendix 2 – The Council's Investment Position at 31st March 2015
Appendix 3 – Average monthly rate of return for 2014/15
Appendix 4 – The Council's External Borrowing Position at 31st March 2015
Appendix 5 – Counterparty Update
Appendix 6 – Arlingclose's Economic & Market Review of 2014/15
Appendix 7 – Interest & Capital Financing Budget Monitoring 2014/15
Appendix 8 – Summary Guide to Credit Ratings

THE ISSUE

1.1 In February 2012 the Council adopted the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report after the end of each financial year.

1.2 This report gives details of performance against the Council's Treasury Management Strategy and Annual Investment Plan for 2014/15.

RECOMMENDATION

The Corporate Audit Committee agrees that:

1.3 the 2014/15 Treasury Management Report to 31st March 2015, prepared in accordance with the CIPFA Treasury Code of Practice, is noted.

1.4 the 2014/15 Treasury Management Indicators are noted.

2 RESOURCE IMPLICATIONS

2.1 The financial implications are contained within the body of the report.

STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

2.2 This report is for information only.

THE REPORT

Summary

2.3 The average rate of investment return for the 2014/15 financial year is 0.42%, which is 0.02% above the benchmark rate.

2.4 Performance against the Treasury Management & Prudential Indicators agreed as part of the annual Treasury Management Strategy is provided in Appendix 1. The outturn position and all treasury activity undertaken during the financial year is within the limits agreed by Council in February 2014 (as amended at its meeting on 13th November 2014), as shown in **Appendix 1**, as well as the CIPFA Code of Practice and the relevant legislative provisions.

Summary of Returns

2.5 The Council's investment position as at 31st March 2015 is given in **Appendix 2**. In line with the Annual Investment Strategy, investments were mainly temporary short term investments made with reference to the core balance and cash flow requirements.

2.6 The Council is the accountable body for the West of England Revolving Investment Fund (RIF) and received grant funding of £57 million at the end of the 2011/12 financial year. The Council acts as an agent and holds these funds on behalf of the West of England Local Enterprise Partnership until they are allocated in the form of repayable grants to the constituent Local Authorities to meet approved infrastructure costs. Since these funds are invested separately from the Council's cash balances and have been placed short term with the Debt Management Office and other Local Authorities, they are excluded from all figures given in this report. The value of the fund at the end of 2014/15 was £41.9 million.

2.7 Gross interest earned on investments for 2014/15 totalled £132k. Net interest, after deduction of amounts due to Schools, the West of England Growth Points, CHC and other internal balances, is £23k. **Appendix 3** details the investment performance, showing the average rate of interest earned over this period was 0.42%, which was 0.02% above the benchmark rate of average 7 day LIBID +0.05% (0.40%).

Summary of Borrowings

2.8 The Council's external borrowing as at 31st March 2015 is detailed in **Appendix 4.** £38.3 million of borrowing was arranged in 2014/15, with the Public Works Loan Board (PWLB) (£10.3m for periods of between 19.5 and 50 years) and five different Local Authorities, (£28m for periods of between one and five years). The majority of the borrowing was undertaken to maintain appropriate working cash balances with part related to funding a specific commercial estate investment opportunity. The Council's total borrowing was £108.3 million as at 31st March 2015.

2.9 The Council's Capital Financing Requirement (CFR) as at 31st March 2015 was £177 million. This represents the Council's underlying need to borrow to finance capital expenditure, and demonstrates that the borrowing taken to date relates to funding historical capital spend.

2.10 The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. In total £38.3m of new fixed rate loans with an average rate of 1.68% and an average life of ten years were raised. The PWLB was the Authority's preferred source of long term borrowing given the transparency and control that its facilities continue to provide. Short-dated loans borrowed from the markets, predominantly from other local authorities, have also remained affordable and attractive.

2.11 The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

2.12 In January 2015 the Department of Communities and Local Government (DCLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the PWLB. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The authority intends to use the PWLB's replacement as a potential source of borrowing if required.

2.13 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, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31st March 2015 apportioned to Bath & North East Somerset Council is £13.95m. Since this borrowing is managed by Bristol City Council and treated in the Council's Statement of Accounts as a deferred liability, it is not included in the borrowing figures referred to in paragraph 5.6.

Strategic & Tactical Decisions

2.14 **Appendix 5** provides further information on issues impacting on investment counterparties, including the implementation of bail-in provisions as highlighted in the mid-year treasury management monitoring report.

2.15 To increase diversification, throughout 2014/15 the Council invested in AAA rated Money Market funds, UK Banks and very highly rated Foreign Bank counterparties (AA-).

2.16 The Council continues to not hold any direct investments with banks in countries within the Eurozone reflecting both on the underlying debt issues in some Eurozone countries and the low levels of interest rates. The Council's investment counterparty list does not currently include any banks from Portugal, Ireland, Greece, Spain and Italy.

2.17 The Council's average investment return is running slightly above the budgeted level of 0.35%, although the impact is offset by the lower than budgeted investment balances held.

Future Strategic & Tactical Issues

2.18 Our treasury management advisors economic and market review for 2014/15 is included in **Appendix 6**.

2.19 The Bank of England base rate has remained constant at 0.50% since March 2009.

2.20 Following the February Inflation Report and latest economic data, the Council's treasury advisors, Arlingclose, moved their forecast of the possible path of the Bank Rate. Their central case is now for a rise in Bank Rate in Q2 2016, although the risks to this forecast remain weighted to the downside. They reiterate their view that the pace of interest rate rises will be gradual and the extent of rises limited, projecting gilt yields on a shallow upward path in the medium term.

2.21 The benefits of the Council's current policy of internal borrowing are monitored regularly against the likelihood that long term borrowing rates are forecast to rise in future years. The focus is now on the rate of increase and the medium-term peak and, in this respect, the current forecast is that rates will rise slowly and to a lower level than in the past.

2.22 The borrowing that has taken place in 2014/15 is therefore driven by a need to maintain an appropriate working cash balance rather than any immediate changes to interest rates.

Budget Implications

2.23 A breakdown of the revenue budget for interest and capital financing and the actual year end position based on the period April to December is included in **Appendix 7**. This shows an overall underspend of £138k in 2014/15, resulting from the debt charges relating to new borrowing being less than forecast, partly offset by lower investment interest received due to holding lower cash balances.

2.24 This position will be kept under review during the new financial year, taking into account the Council's cash-flow position and the timing of any new borrowing required.

Payment of LGF Grant

2.25 The Local Growth Fund (LGF) letter from Tom Walker (Director Cities & Local Growth Unit) DCLG in February 2015 stated that 'DCLG will release a LGF capital grant payment of £16.6m in a single instalment on 1st April 2015'.

2.26 The Council checked with the department on 1st April 2015 and payment was confirmed as being due to arrive that day. On this basis payments were released for corresponding investments on that date to the equivalent value of £16.6m.

2.27 However DCLG failed to make the payment as expected, and the actual payment was not received until 10th April 2015. The Council therefore had to meet the committed investments from its own cash-flow over this period.

2.28 This is brought to the attention of Council given the size of the transactions and the technical exposure that resulted to the Council, even though not directly falling within the timeframe of the report.

RATIONALE

2.29 The Prudential Code and CIPFA's Code of Practice on Treasury Management requires regular monitoring and reporting of Treasury Management activities.

OTHER OPTIONS CONSIDERED

2.30 None.

CONSULTATION

2.31 Consultation has been carried out with the Cabinet Member for Finance and Efficiency, Section 151 Finance Officer and Monitoring Officer.

2.32 This report was also presented to July 2015 Cabinet & Council.

RISK MANAGEMENT

2.33 The Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment and borrowing advice is provided by our Treasury Management consultants Arlingclose.

2.34 The CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Corporate Audit Committee carries out this scrutiny.

2.35 In addition, the Council maintains a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year.

Contact person	*Tim Richens - 01225 477468 ; Mark Angus - 01225 477180* *Tim_Richens@bathnes.gov.uk* *Mark_Angus@bathnes.gov.uk*
Background papers	*2014/15 Treasury Management & Investment Strategy* *1st & 3rd Quarter Treasury Performance Reports (Cabinet)* *Half yearly Treasury Performance Report (Cabinet & Council)*
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1

Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

1. Authorised limit for external debt

These limits include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over & above the operational limit for unusual cash movements.

	2014/15 Prudential Indicator	**2014/15 Actual as at 31st Mar. 2015**
	£'000	£'000
Borrowing	215,000	108,300
Other long term liabilities	2,000	0
Cumulative Total	**217,000**	**108,300**

2. Operational limit for external debt

The operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements.

	2014/15 Prudential Indicator	**2014/15 Actual as at 31st Mar. 2015**
	£'000	£'000
Borrowing	177,000	108,300
Other long term liabilities	2,000	0
Cumulative Total	**179,000**	**108,300**

3. Upper limit for fixed interest rate exposure

This is the maximum amount of total borrowing which can be at fixed interest rate, less any investments for a period greater than 12 months which has a fixed interest rate.

	2014/15 Prudential Indicator	**2014/15 Actual as at 31st Mar. 2015**
	£'000	£'000
Fixed interest rate exposure	**177,000**	**88,300**

4. Upper limit for variable interest rate exposure

While fixed rate borrowing contributes significantly to reducing uncertainty surrounding interest rate changes, the pursuit of optimum performance levels may justify keeping flexibility through the use of variable interest rates. This is the maximum amount of total borrowing which can be at variable interest rates.

	2014/15 Prudential Indicator	**2014/15 Actual as at 31st Mar. 2015**

	£'000	£'000
Variable interest rate exposure	**127,000**	**20,000***

* The £20m of LOBO's are quoted as variable rate in this analysis as the Lender has the option to change the rate at 6 monthly intervals (the Council has the option to repay the loan should the rate increase).

5. Upper limit for total principal sums invested for over 364 days
This is the maximum amount of total investments which can be over 364 days. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

	2014/15 Prudential Indicator	**2014/15 Actual as at 31st Mar. 2015**
	£'000	£'000
Investments over 364 days	**50,000**	**0**

6. Maturity Structure of borrowing
This indicator is set to control the Council's exposure to refinancing risk.

	Upper Limit	**Lower Limit**	**2014/15 Actual as at 31st Mar. 2015**
	%	%	%
Under 12 months	50	Nil	28*
12 months and within 24 months	50	Nil	7
24 months and within 5 years	75	Nil	9
5 years and within 10 years	100	Nil	0
10 years and above	100	Nil	56

* The CIPFA Treasury management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date (which are at 6 monthly intervals for the £20m of LOBO's). However, the Council would only consider repaying these loans if the Lenders exercised their options to alter the interest rate.

7. Average Credit Rating
The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio. A summary guide to credit ratings is set out at **Appendix 7**. The Council agreed a reduction to the minimum portfolio average credit rating from A to A- at its meeting on 13th November 2014 in order to be able to respond to any changes to UK banks credit ratings resulting from implementation of the bail-in provisions of the EU Bank Recovery and Resolution Directive.

	2014/15 Prudential Indicator	**2014/15 Actual as at 31st Mar. 2015**
	Rating	Rating
Minimum Portfolio Average Credit Rating	**A-**	**A-**

8. Liquidity
The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	2014/15	**2014/15 Actual**

	Prudential Indicator	as at 31st Mar. 2015
Total cash available within 3 months	**£15m**	**£16m**

APPENDIX 2

The Council's Investment position at 31st March 2015
The term of investments, from the original date of the deal, are as follows:

	Balance at 31st Mar. 2015
	£'000's
Notice (instant access funds)	16,000
Up to 1 month	0
1 month to 3 months	0
Over 3 months	0
Total	**16,000**

The investment figure of £16.0 million is made up as follows:

	Balance at 31st Mar. 2015
	£'000's
B&NES Council	1,320
B&NES CHC	7,347
West Of England Growth Points	688
Schools	6,645
Total	**16,000**

The Council had an average net positive balance of £31.8m (including Growth Points & B&NES CHC Funding) during the period April 2014 to March 2015.

No fixed term investments were undertaken during 2014/15 with a maturity date in the following financial year. The balance of £16.0m was held in call accounts as at 31st March 2015.

Chart 1: Council Investments (£16.0m) as at 31st Mar. 2015

Chart 2: Council Investments (£22.15m) as at 31st Dec. 2014

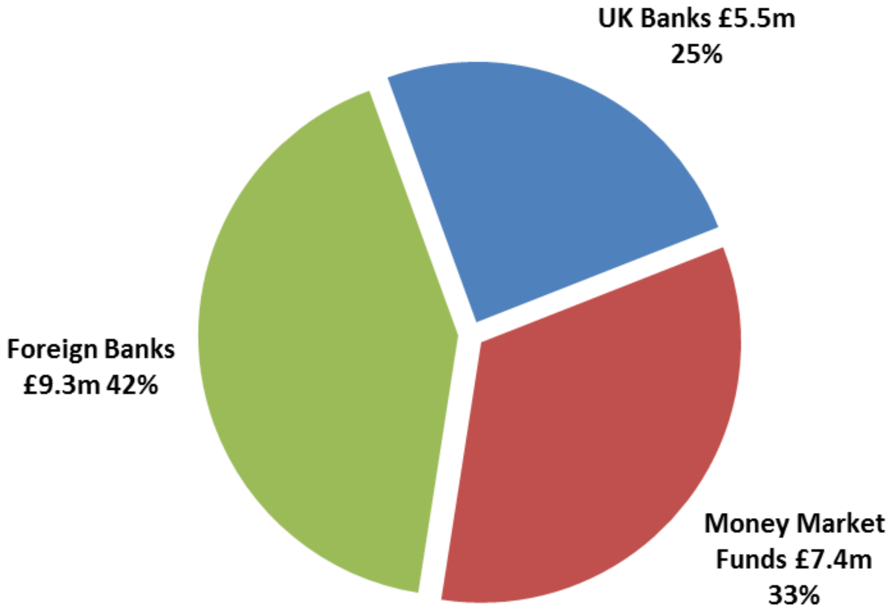
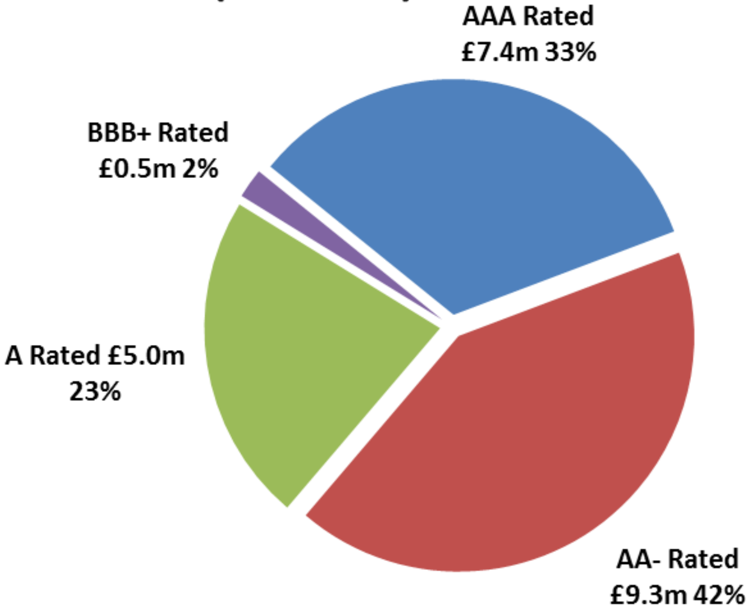


Chart 3: Council Investments per Lowest Equivalent Long-term Credit Ratings (£16.0m) 31st Mar. 2015

Chart 4: Council Investments per Lowest Equivalent Long-term Credit Ratings (£22.15m) 31st Dec 2014



APPENDIX 3

Average rate of return on investments for 2014/15

	April %	May %	June %	July %	Aug %	Sep %	Oct %	Nov %	Dec %	Jan %	Feb %	Mar %	Average for Period
Average rate of interest earned	0.40	0.43	0.44	0.47	0.42	0.42	0.44	0.45	0.44	0.40	0.38	0.33	**0.42%**
Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)	0.39	0.39	0.40	0.39	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.40%**
Performance against Benchmark %	0.01	0.04	0.04	0.08	0.02	0.02	0.04	0.05	0.04	0.00	-0.02	-0.07	**0.02%**

APPENDIX 4

Councils External Borrowing at 31st March 2015

LONG TERM	Amount	Start Date	Maturity Date	Interest Rate
PWLB	10,000,000	15/10/04	15/10/35	4.75%
PWLB	5,000,000	12/05/10	15/08/35	4.55%
PWLB	5,000,000	12/05/10	15/08/60	4.53%
PWLB	5,000,000	05/08/11	15/02/31	4.86%
PWLB	10,000,000	05/08/11	15/08/29	4.80%
PWLB	15,000,000	05/08/11	15/02/61	4.96%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
Eurohypo Bank*	10,000,000	27/04/05	27/04/55	4.50%
West Midland Police Authority	5,000,000	08/10/14	10/10/16	1.10%
Portsmouth City Council	3,000,000	15/10/14	17/10/16	1.08%
Wirral Metropolitan Borough Council	5,000,000	07/11/14	06/11/15	0.65%
Gloucestershire County Council	5,000,000	25/11/14	25/11/19	2.05%
Derbyshire County Council	5,000,000	28/11/14	27/11/15	0.65%
Gloucestershire County Council	5,000,000	19/12/14	19/12/19	2.05%
PWLB	5,300,000	29/01/15	15/08/29	2.62%
PWLB	5,000,000	29/01/15	15/02/61	2.92%
TOTAL	**108,300,000**			
TEMPORARY	**Nil**			
TOTAL	**108,300,000**			**3.64%**

*All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.50%. The lender has the option to change the interest rate at 6 monthly intervals, however at this point the borrower also has the option to repay the loan without penalty.

APPENDIX 5

Counterparty Update

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish, over 2014-15 Moody's revised the Outlook of several UK and EU banks from Stable to Negative (note, this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries' early adoption of the bail-in regime in the BRRD.

S&P also revised the Outlook for major Canadian banks to negative following the government's announcement of a potential bail-in policy framework.

The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.

The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities, large corporates and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.
In December the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, is taking measures to augment capital and the PRA does not require the group to submit a revised capital plan. RBS has updated plans to issue additional Tier 1 capital. The Co-operative Bank failed the test.

The European Central Bank also published the results of the Asset Quality Review (AQR) and stress tests, based on December 2013 data. 25 European banks failed the test, falling short of the required threshold capital by approximately €25bn (£20bn) in total – none of the failed banks featured on the Authority's lending list.

APPENDIX 6

Annual Economic Review 2014/15 (provided by Arlingclose)

Growth and Inflation: The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to $44.35 a barrel a level not seen since March 2009) and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.

Labour Market: The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier. Comparing the three months to January 2015 with a year earlier, employee pay increased by 1.8% including bonuses and by 1.6% excluding bonuses.

UK Monetary Policy: The Bank of England's MPC maintained interest rates at 0.5% and asset purchases (QE) at £375bn. Its members held a wide range of views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into response to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.

Political uncertainty had a large bearing on market confidence this year. The possibility of Scottish independence was of concern to the financial markets, however this dissipated following the outcome of September's referendum. The risk of upheaval (the pledge to devolve extensive new powers to the Scottish parliament; English MPs in turn demanding separate laws for England) lingers on. The highly politicised March Budget heralded the start of a closely contested general election campaign and markets braced for yet another hung parliament.

On the continent, the European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05% in September and the rate paid on commercial bank balances held with it was from -0.10% to -0.20%. The much-anticipated quantitative easing, which will expand the ECB's balance sheet by €1.1 trillion was finally announced by the central bank at its January meeting in an effort to steer the euro area away from deflation and invigorate its moribund economies. The size was at the high end of market expectations and it will involve buying €60bn of sovereign bonds, asset-backed securities and covered bonds a month commencing March 2015 through to September 2016. The possibility of a Greek exit from the Eurozone refused to subside given the clear frustrations that remained between its new government and its creditors.

The US economy rebounded strongly in 2014, employment growth was robust and there were early signs of wage pressures building, albeit from a low level. The Federal Reserve made no change to US policy rates. The central bank however continued with ‘tapering’, i.e. a reduction in asset purchases by $10 billion per month, and ended them altogether in October 2014. With the US economy resilient enough to weather the weakness of key trading partners and a strong US dollar, in March 2015 the Fed removed the word “patient” from its statement accompanying its rates decisions, effectively leaving the door open for a rise in rates later in the year.

Market reaction: From July, gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission though into lower prices globally. 5-, 10- and 20-year gilt yields fell to their lows in January (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

APPENDIX 7

Interest & Capital Financing Costs – Budget Monitoring 2014/15 (Outturn)

April 2014 to March 2015	**YEAR END POSITION** Budgeted Spend or (Income) £'000	Actual Spend or (Income) £'000	Actual over or (under) spend £'000	**ADV/FAV**
Interest & Capital Financing				
- Debt Costs	3,862	3,685	(177)	FAV
- Internal Repayment of Loan Charges	(8,182)	(6,985)	1,197	ADV
- Ex Avon Debt Costs	1,388	1,340	(48)	FAV
- Minimum Revenue Provision (MRP)	6,120	4,923	(1,197)	FAV
- Interest on Balances	(110)	(23)	87	ADV
Sub Total - Capital Financing	**3,078**	**2,940**	**(138)**	**FAV**

APPENDIX 8

Summary Guide to Credit Ratings

Rating	**Details**
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.

RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicate san issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	28th September 2015	**AGENDA ITEM NUMBER**
TITLE:	Revisions to Key Financial and Corporate Governance Rules and Regulations	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Summary of Reasons for Key Changes Appendix 2 – Summary of Changes to Procurement Regulations Appendix 3 – Summary of Delegations under Contract Standing Orders Appendix 4 – Summary of Minimum Requirements under Contract Standing Orders Appendix 5 – Revised Contract Standing Orders Appendix 6 – Revised Budget Management Scheme		

1 THE ISSUE

1.1 The Council's Constitution details the rules and frameworks governing the Council's business. These include the Council's Financial Regulations, Contract Standing Orders and Budget Management Scheme, all of which require update and amendment.

1.2 The Corporate Audit Committee's terms of reference detail a requirement to review these rules prior to recommending them onwards to full Council for approval. A previous report in December 2014 detailed the changes to Financial Regulations and this report summarises proposed changes to Contract Standing Orders and the Budget Management Scheme.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to recommend the revised Contract Standing Orders and Budget Management Scheme to full Council for approval.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report, however the rules and regulations under review enable the Council to adopt sound financial management arrangements and establish value for money so have an indirect impact on all Council Services.

4 THE REPORT

4.1 Why do we have Financial and Contractual Rules and Regulations?

4.1.1 This Council is responsible for many millions of pounds of public money and has a number of statutory responsibilities in relation to its financial affairs.

4.1.2 The Local Government Act 1972 directs that Authorities shall make arrangements for the proper administration of their financial affairs and that one of their officers be responsible for the administration of those affairs. The Divisional Director – Finance is the Council's designated Chief Finance Officer and hence the Section 151 Officer.

4.1.3 Under powers contained in the Local Government Finance Act 1982 (s23 and 35) the Secretary of State also makes regulations as to the accounts themselves and requires them to be audited. The "Accounts and Audit Regulations" 2011 require that the "Responsible Financial Officer" must determine and be responsible for the accounting systems and the form of both the accounts and all supporting records of the authority.

4.1.4 Further to maintain independence from the responsible financial officer 'a relevant body' must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

4.1.5 The relevant body must therefore ensure (by maintaining an effective and adequate internal audit) that rules so made are observed and that all records are maintained in a satisfactory manner.

4.1.6 To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to. Part of this process is the establishment of Financial Regulations that set out the financial policies of the Authority, Budget Management Scheme that controls how the budget is managed in detail and Contract Standing Orders to set out the rules and guidance for how the Council commissions and procures goods and services.

4.2 The Principles of our Key Financial and Contractual Rules and Regulations

4.2.1 As the Council is responsible for the stewardship of public money it needs to make arrangements to safeguard the interests of taxpayers and other stakeholders. The following eight principles therefore set out at a high level the overriding expectations that Members and Officers must follow to give confidence to all of its stakeholders –

a) **Openness and Transparency** - The Council expects its elected Members and officers to exercise high standards in financial and contract management and administration and aims to stimulate openness and a climate of transparency that it will support through policies and regulations.

b) **Leadership & Management** - The importance of developing clear objectives for the organisation and subsequent prioritisation planning, monitoring and controlling of its resources to achieve its objectives is of vital importance to the Council and it will therefore make arrangements for these activities to be undertaken effectively.

c) **Integrity** - Issues of probity will be dealt with effectively and the Council will work to meet its duty to maintain proper accounts and related records.

d) **Value for Money** - Value for money is at the core of the Council's financial activity and the way in which it administers its financial affairs.

e) **Compliance** - Compliance with statutory requirements, directives, accounting standards and appropriate codes of practice will be inherent in the Council's arrangements for financial and contractual matters. The assets and resources of the Council must be protected from loss, damage and theft

f) **Accountability** - Allocation of responsibility and authority in relation to financial and contractual matters will be clearly identified.

g) **Risk Management** - Identifying and quantifying risks to the Council is of key importance and arrangements must be made to reduce, eliminate or insure against them as appropriate.

h) **One Council Approach** - The Council is a large organisation and is mindful of the need for consistent standards in financial and contractual administration and management across all its operations and will set in place guidance to be adhered to by all its directorates. In particular, it expects staff to consult with and use all of the expertise in financial, legal and contractual matters that it has available and act on advice from such sources.

4.3 Financial Regulations

4.3.1 The Audit Committee reviewed Financial Regulations for the Council and Schools in 2012 and again in December 2014 recommending them on to full Council for approval. Due to the Election it was decided to wait until work had been completed on a review of the Budget Management Scheme and Contract Standing Orders before issuing all of them together to full Council. A brief summary of the purpose of Financial Regulations is provided below as background to this report.

4.3.2 Financial Regulations identify the financial responsibilities of Council Members, Corporate Audit Committee, Head of Paid Service, Monitoring Officer, Chief Finance Officer, Chief Internal Auditor, Strategic Directors, Divisional Directors and employees.

4.3.3 All elected Members and officers have a responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.

4.3.4 The Chief Financial Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the full Council for approval. He is also responsible for reporting, where appropriate, breaches of these Financial Regulations to the Council and / or to the members of the Cabinet.

4.4 Contract Standing Orders (CSO's)

4.4.1 CSO's provide the framework that governs the Council's commissioning and procurement of Contracts for works, services and goods / supplies. Up to date CSO's will help maintain good internal governance, stewardship and the proper spending of public monies, value for money and compliance with relevant law.

4.4.2 The last significant review of CSO's was undertaken 2006 in order to adopt the Public Contract Regulations 2006. Technical adjustments have been made subsequently to ensure that they reflected legislative changes.

4.4.3 The Public Contract Regulations 2015 implement the new EU Procurement Directives. Many of the changes are codification of public procurement case law since the implementation of the previous Directives, however there are some significant changes including the abolition of Part B services and the introduction of the "Light Touch" regime.

4.4.4 The Government has also used the opportunity to implement a number of other changes to create greater opportunities for SME's (known as the Lord Young reforms). Many of these changes have an impact on lower value procurement rules (under EU thresholds).

4.4.5 Public Contract law is a very complex area and the Council has taken external legal advice in drafting the revised CSO's in order to ensure that they are comprehensive but at the same time practical to implement and use.

4.4.7 **Appendices 2 & 3** are taken directly from the new CSO's and summarise the revised delegation arrangements as well as the revised procurement processes required at varying financial thresholds. The revised thresholds reflect the new regulations, local government transparency requirements and the Council's "Think Local" priority (the local market will be given first opportunity for contracts up to £50,000).

4.5 Budget Management Scheme (BMS)

4.5.1 Budgets (spending plans) are needed so that the Council can plan, monitor and control the way resources are allocated and spent. Budgets reflect Council, Portfolio, Service and local priorities and give authority to Local Managers to incur expenditure to meet targets.

4.5.2 Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, which reviews and manages spending against budget during the financial year. In addition, it provides the mechanism that calls to account managers responsible for defined elements of the budget.

4.5.3 The Budget Management Scheme is therefore the detailed rules which ensure that income and expenditure are in line with the agreed Council budgets and service plans (consistency of purpose) and there is overall financial control of the Council’s income and expenditure.

4.5.4 Not having a scheme in place would put the Council at significant risk that -

a) The Council may not be operating within the law;
b) Policies and objectives may not be achieved;
c) Resources may not be used in accordance with agreed authority;
d) Failure to secure value for money (efficient & effective use of resources);
e) Decisions made without the benefit of full or appropriate information;
f) Inability to take appropriate action at the right time.

4.5.5 The current Budget Management Scheme was last refreshed and approved by Council in November 2007. The reason for updating at this time is to reflect changes in officer structure, align the scheme with the current reporting framework and to reflect the current risk based approach now used in assessing adequacy of reserves. More detail on the changes is provided in Appendix 1.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance. The risk of not having appropriate rules and regulations has been laid out in Section 4 of the report and would put the Council at serious risk of not being able to provide key services, deliver poor value for money and be subject to fines and penalties for non-compliance with statute. Therefore having an up-to-date, core set of financial and contractual rules and regulations mitigates these risks.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7 CONSULTATION

7.1 The contents of this report and the various core sets of rules and regulations have been subject to wide consultation within the Council including the S151 Officer and Monitoring Officer.

Contact person	*Jeff Wring (01225 477323)*
Background papers	*Report to Corporate Audit Committee December 2014 & December 2012 - Financial Regulations Update*
Please contact the report author if you need to access this report in an alternative format	

Appendix 1 – Summary of Reasons for Key Changes

Contract Standing Orders

- Ensure they reflect the requirements of the new Public Contract Regulations 2015 (replacing the Public Contract Regulations 2006) that implement Directive 2014/24/EU on public procurement.
- Implement the Lord Young reforms for supporting SME's. This is the first time that Public Contract Regulations have been used to regulate procurement processes at below EU threshold levels.
- Ensure that they reflect other changes in legislation including:-
    - the Bribery Act 2010
    - the Public Services (Social Value) Act 2012
    - the Equalities Act 2012
    - the Small Business, Employment and Enterprise Act 2015
    - the Modern Slavery Act 2015
- Provide members and officers with greater clarity on their roles and responsibilities. This is particularly important as the award of any contract may be subject to legal challenge.
- Review financial delegation limits for contracts ensuring they are aligned to the Public Procurement Regulations 2015, Council's statutory transparency requirements and the Council's Procurement Strategy (giving the local market greater opportunities for contracts up to £50,000)
- Signpost staff to templates, documents, guidance etc. that have been updated to meet the requirements of the legislation.

Budget Management Scheme

- Updating references to "Divisional Director", "Chief Financial Officer" and revised Portfolio holder titles for consistency throughout the document.
- Increase in level of permitted use of un-earmarked reserves from £25k to £50k before Council approval required with overall annual limit increased from £50k to £100k. This remains a Cabinet decision which must consider the advice of the Chief Financial Officer.
- Removal of any specific ring fencing of reserves for individual service carry forwards recognising the risk based approach now used in calculating the adequacy of reserves.
- The 'Invest to Save' scheme is now covered through the Annual Budget Report.
- Reporting sections updated to align to current practices and timetables.
- Capital Scheme substitution level increased where specified conditions are met.
- Removal of the Capital Incentive Schemes section to reflect current approach of not ring-fencing capital receipts unless a specific Council decision has been made to do so.
- Service and virement cashlimit's are now referenced to the Council's Budget and Budget Monitoring reports rather than listing these within the Budget Management Scheme document.
- Expanded definition of transactions not classified as virements.

Appendix 1 – Summary of Reasons for Key Changes

Financial Regulations (Council and Schools)

- New/Revised Financial Systems (Agresso)
- New/Revised Financial Controls and Processes
- New/Revised IT environment and controls
- New Procurement Strategy and EU Directives
- Revised Counter Fraud Arrangements
- Revised Internal Reporting and Planning Arrangements
- Revised Legislative requirements (Accounts and Audit Regs, Bribery Act, Money Laundering)
- Revised structure and roles and responsibilities

<u>Appendix 2 – Changes to Public Contract Regulations</u>

The Public Contract Regulations 2015 supersede the Public Contract Regulations 2006. Their main purpose is to implement the

What does not Change

- No change in the bodies covered by the regulations - “contracting authorities”
- No immediate change to thresholds of application of the directive (but Commission commitment to review by 2019 the economic effects on the internal market as a result of the application of the thresholds which could lead to an increase in the thresholds)
- As now authorities must comply with principles of transparency, non-discrimination, equal treatment and proportionality
- No changes to remedies
- The regulations will continue to provide a transparent process aimed at maximising opportunity for suppliers whilst allowing achievement of value for money by authorities

Key Changes

- Introduction of a new innovation partnership procedure to allow for the development of innovative solutions;
- “Light touch” regime for health, social, legal and other services with a higher threshold and limited procedural requirements;
- Shorter timescales to speed up straightforward award procedures;
- Possibility for sub-central authorities to use a PIN notice as a call for competition;
- Express permission to conduct market consultations;
- Encouragement to divide contracts into lots;
- Prohibition to set minimum annual turnover threshold higher than twice the annual contract value;
- Expanded list of mandatory and discretionary exclusion grounds including poor performance. The extended exclusion grounds are counterbalanced by the introduction of new self-cleaning provisions which allow operators to show that they have implemented remedial measures to demonstrate reliability despite the existence of an exclusion ground;
- Introduction of the European Single Procurement Document to allow operators to self-declare compliance with prequalification requirements in lieu of certificates;
- Award of all public contracts on the basis of MEAT and a new meaning of MEAT which encourages evaluation on the basis of the best quality/price ratio, including life-cycle costs;
- Permission to use experience as an award criterion;
- New rules on modification of contracts which allow for the change of an operator without a new procurement in case of a corporate restructuring or insolvency;
- New record keeping and reporting obligations.

Appendix 2 – Changes to Public Contract Regulations

The Lord Young reforms

Some provisions in the new 2015 Regulations go further than the EU Public Sector Procurement Directive, implementing specific SME-friendly recommendations from Lord Young, the Enterprise Advisor to the Prime Minister (Regulations 105-114). They introduce rules that must be followed by authorities when awarding below threshold contracts but above £25,000. These requirements are summarised below.

Above-threshold contracts

- to publish any contract notice sent to the EU's Publications Office for publication within 24 hours of when the authority is entitled to publish the notice at a national level
- to comply with Cabinet Office guidance on qualitative selection at the pre-qualification stage of the tender process, including avoiding burdensome and disproportionate questions
- to publish certain contract award information on Contracts Finder within a reasonable time (note this obligation extends to the award of call-off contracts under framework agreements).

Below-threshold contracts

- to publish information on the contract opportunity on Contracts Finder within 24 hours of the time it first advertises the opportunity in any other way
- not to include a pre-qualification stage if procuring a contract below €134,000 (central Government contracts) or €207,000 (sub-central Government contracts)
- to publish information on contract award within a reasonable time on Contracts Finder
- a requirement to include in every public contract (whether or not subject to the 2015 Regulations) provisions stipulating that the authority will pay the contractor no later than 30 days from the date on which the invoice if "valid and undisputed" (a concept to be elaborated upon by the Cabinet Office in guidance in due course)
- a requirement to "have regard" to any guidance published by the Cabinet Office in relation to these new requirements

Appendix 3 – Summary of Delegations

CONTRACT VALUE	AUTHORITY FOR OUTLINE BUSINESS CASE	AUTHORITY TO AGREE PROCUREMENT PROCESS	PLACE ON FORWARD PLAN (Y/N)	APPROVAL DOCS REQUIRED	AUTHORITY TO AWARD THE CONTRACT	AUTHORITY TO SIGN AN EXEMPTION	AUTHORITY FOR SIGNING/SEALING
Up to £500	n/a	Cost Centre Manager	N	Bid Evaluation	Cost Centre Manager	Cost Centre Manager	Cost Centre Manager (signing)
£501 to £5,000	n/a	Cost Centre Manager	N	Bid Evaluation	Cost Centre Manager	Cost Centre Manager	Cost Centre Manager (signing)
£5,001 to £50,000	n/a	Cost Centre Manager	N	Bid Evaluation	Cost Centre Manager	Divisional Director	Cost Centre Manager (Signing)
£50,001 to £100,000	Divisional Director	Service Area Manager	Y	Tender Evaluation Document	Divisional Director	Divisional Director	Divisional Director (Signing) and Head of Legal (Sealing)
£100,001 to EU Thresholds	Strategic Director	Divisional Director	Y	Tender Evaluation Document	Strategic Director with Cabinet Member approval	Strategic Director with Cabinet Member approval	Strategic Director with Cabinet Member Approval (Signing) and Head of Legal (Sealing)
Above EU Thresholds/ Emergency Purchases	Strategic Director	Divisional Director	Y (but not emergency purchases)	Single Member Decision	Cabinet Member	NOT ALLOWED above EU threshold	Head of Legal

Appendix 3 – Summary of Delegations

Appendix 4 – Minimum Contract Requirements

VALUE OF CONTRACT	MINIMUM PURCHASING REQUIREMENTS	MINIMUM CONTRACT REQUIREMENTS	ENTER ON COMMISSIONING INTENTIONS Y/N	USE OF PROCONTRACT	ENTER CONTRACT ON CONTRACT REGISTER
£1 - £500	– Use **purchasing card if** accepted by supplier – Demonstrate VfM by testing the market – Think Local	Ensure written record of purchase	No	Recommended	n/a
£501 - £5,000	– Demonstrate VfM by testing the market – Think Local – Consider the Social Value Policy & Toolkit	Ensure written record of purchase	No	Recommended	Recommended
£5,001 - £50,000	– Think Local – 3 written Quotes via ProContract – Consider the Social Value Policy & Toolkit – Do NOT use a PQQ but can ask suitability questions – Advertise on Contracts Finder if >£25K – State award criteria – Award Contract on Contracts Finder if >£25K	Council's Standard Contract Terms (unless agreed with the Legal or Procurement departments)	No	Mandatory	Yes
£50,001 -	– Think Local	Council's Standard	Yes	Mandatory	Yes

Appendix 4 – Minimum Contract Requirements

VALUE OF CONTRACT	MINIMUM PURCHASING REQUIREMENTS	MINIMUM CONTRACT REQUIREMENTS	ENTER ON COMMISSIONING INTENTIONS Y/N	USE OF PROCONTRACT	ENTER CONTRACT ON CONTRACT REGISTER
£100,000	– 3 written Tenders via ProContract – Consider the Social Value Policy & Toolkit – Advertise on Contracts Finder – Do NOT use a PQQ but can ask suitability questions – Advertise on Contracts Finder – State award criteria – Award Contract on Contracts Finder	Contract Terms (unless agreed with the Legal or Procurement departments)			
£100,001 – EU Threshold (£172,514 goods and services or £4.3m works)	– 3 written Tenders via ProContract – Apply the Social Value Policy and Toolkit – Advertise on Contracts Finder	Follow guidance at **Appendix 11 (Contract Forms and Terms & Conditions)**	Yes	Mandatory	Yes

Appendix 4 – Minimum Contract Requirements

VALUE OF CONTRACT	MINIMUM PURCHASING REQUIREMENTS	MINIMUM CONTRACT REQUIREMENTS	ENTER ON COMMISSIONING INTENTIONS Y/N	USE OF PROCONTRACT	ENTER CONTRACT ON CONTRACT REGISTER
	– Works can use a PQQ but NOT for Goods and Services below the threshold – State award criteria – Award Contract on Contracts Finder – Contract must be sealed				
Above EU Threshold (£172,514 goods and services or £4.3m works)	– Follow an EU compliant procedure (see **Appendix 9 (Procurement Options), Appendix 5 (Drafting Specifications)** and **Appendix 13 (Evaluation Criteria)** and **Appendix 20 (Procurement above the EU Thresholds - Options)**	Follow guidance at **Appendix 11 (Contract Forms and Terms & Conditions)**	Yes	Mandatory	Yes

Appendix 4 – Minimum Contract Requirements

VALUE OF CONTRACT	MINIMUM PURCHASING REQUIREMENTS	MINIMUM CONTRACT REQUIREMENTS	ENTER ON COMMISSIONING INTENTIONS Y/N	USE OF PROCONTRACT	ENTER CONTRACT ON CONTRACT REGISTER
	– Apply the Social Value Policy and Toolkit – Advertise on Contracts Finder and in OJEU – Contract ***MUST*** be sealed – Award Contract in OJEU				
Light Touch Regime – *Below threshold (£625,050)*	– Think Local – 3 written Tenders via ProContract (above £50k) – Apply the Social Value Policy and Toolkit – Advertise on Contracts Finder if >£25k – State award criteria	Council's Standard Contract Terms (unless agreed by the Legal or Procurement Departments)	Yes (above £50K)	Mandatory	Yes
Light Touch Regime – above threshold (£625,050)	– Follow a procedure compliant with EU procurement rules for LTR (**see Appendix 7 Procurement Options**)	Follow guidance at **Appendix 11 (Contract Forms and Terms & Conditions)**	Yes	Mandatory	Yes

Appendix 4 – Minimum Contract Requirements

VALUE OF CONTRACT	MINIMUM PURCHASING REQUIREMENTS	MINIMUM CONTRACT REQUIREMENTS	ENTER ON COMMISSIONING INTENTIONS Y/N	USE OF PROCONTRACT	ENTER CONTRACT ON CONTRACT REGISTER
	– Apply the Social Value Policy and Toolkit – Advertise on Contracts Finder – Award Contract in OJEU – Contract ***MUST*** be sealed				

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Contract Standing Orders

Draft September 15

Table of Contents

A Statement of Principles

1. Mandatory Compliance

1. Council Officers ***MUST*** comply with these Contract Standing Orders in all instances when buying goods, services and works on behalf of the Council and failure to comply may result in disciplinary procedures.

2. General Principles

2.1 These Contract Standing Orders ("**CSOs**") provide the framework that governs the Council's commissioning and procurement of Contracts for works, services and goods / supplies. Following these CSOs helps the Council to demonstrate:

2.1.1 good internal governance;

2.1.2 stewardship and the proper spending of public monies;

2.1.3 Value for Money in the Council's Contracts;

2.1.4 compliance with relevant law.

2.2 The purpose of all contracting activity is to:

2.2.1 seek continuous improvement of the Council's functions having regard to the optimum combination of economy, efficiency and effectiveness in keeping with the Council's duty to seek Best Value (and Value for Money);

2.2.2 achieve Value for Money for the Council and the Residents, with reference to the economic, social and environmental value of each Contract;

2.2.3 promote the well-being of the Council's Residents and Area through the effective functioning of the Council, the efficient use of the Council's resources, and a universal concentration on the Social Value that can be achieved.

2.3 Every Contract and official order made by the Council (or any part of it) shall be for the purpose of achieving fulfilment of the Council's statutory functions or the furtherance of the Council's strategic or policy goals.

2.4 The Appendices to these CSOs provide further detail and form part of these CSOs as if they were drafted as one document. The Head of Legal and Democratic Services has the delegated authority to alter these CSOs accordingly. Any questions about the application of these CSOs should be directed to the Head of Legal and Democratic Services and/or the Head of Strategic Procurement & Commissioning.

2.5 All figures in these CSOs are ***exclusive*** of VAT unless stated otherwise.

2.6 Directors will:

2.6.1 ensure that the appropriate member, Cabinet or full Council (as appropriate given the Scheme of Delegations) is consulted on any procurement activity prior to its publications in the Council's Forward Plan;

2.6.2 ensure that audit trails are in place for all procurement activity in accordance with these CSOs.

3. What these CSOs Cover

3.1 These CSOs apply:

3.1.1 whenever the Council intends to spend money (or provide other payments in kind) under Contracts for goods (supplies), works or services;

3.1.2 to expenditure from either capital or revenue sources;

3.1.3 concessions (see Guide to Concessions.docx)

3.1.4 to grants (see Guidance on Grant Agreements)

3.1.5 to both Officers and Members.

3.2 These CSOs ***do not*** apply:

3.2.1 to contracts of employment;

3.2.2 to acquisitions and disposals of land or buildings (these are covered by the **Financial Regulations**) – unless related to a Contract for works, services or goods;

3.2.3 to the seeking of offers in relation to financial services in connection with the issue, purchase, sale or transfer of securities or other financial instruments, in particular transactions by the Council to raise money or capital;

3.2.4 to internal "contracts" between departments within the Council.

3.2.5 In the case of civil contingencies

3.3 The following entities have their own rules and are not bound by these CSOs, except where they participate in joint purchasing with the Council:

3.3.1 maintained schools within the Area;

3.3.2 companies in which the Council has an interest ***except for*** Local Housing Development Vehicles and situations where there is a Local Authority Controlled Company;

3.3.3 [***any others***].

3.4 In exceptional circumstances only, certain exemptions can be approved by following the process set out at **Appendix 2 (CSO Exemptions)**. The persons who are authorised to approve the exemptions are set out in **Appendix 12 (Scheme of Delegations).** Seeking an exemption of these CSOs ***does not*** exempt the Council from complying with the General Principles or with general law.

3.5 These CSOs can only be amended by the Head of Legal and Democratic Services in consultation with the Head of Strategic Procurement.

4. Other Key Documents

4.1 These CSOs should be read alongside the following:

4.1.1 the Council's Procurement Strategy Procurement Strategy Final

4.1.2 the Council's Financial Regulations which can be found at ; http://intranet/financial-regulations

4.1.3 the Council's procurement guide Selling to the Council Guide.docx;

4.1.4 the Council's Social Value in Procurement Policy Social Value Policy and Toolkit Social Value Toolkit.pdf.

4.1.5 Transparency Code Transparency Code .docx

4.1.6 Pro-Contract Guidance Contracts Finder Guidance.pdf

4.1.7 Any other guidance provided by the Strategic Procurement & Commissioning Team including:

- (see Appendix 3 - Business Ethics)
- (see Appendix 4- Confidentiality, Intellectual Property, Data Protection, Transparency & Redaction)

4.2 Anyone undertaking purchasing activity on behalf of the Council (but especially in the context of purchasing value above the EU Thresholds) ***MUST*** refer to the following documents, where appropriate:

4.2.1 the Public Contracts Regulations 2015, and Directive 2014/24/EU on public procurement;

4.2.2 the Public Services (Social Value) Act 2012;

4.2.3 the Bribery Act 2010;

4.2.4 the Small Business, Employment and Enterprise Act 2015;

4.2.5 the Equalities Act 2012;

4.2.6 the Modern Slavery Act 2015

4.2.7 any other relevant legislation.

5. Commissioning Intentions

5.1 All procurements over £50k in value ***MUST*** be entered on the Commissioning Intentions list. This enables the Council to keep track of budgets and plan for future expenditure and it allows suppliers and the local community awareness of upcoming projects.

5.2 The Commissioning Intentions list can be found at the B&NES internet site http://www.bathnes.gov.uk/services/business/selling-council/right-challenge-0 and the document can be found at the right hand bottom of the page.

5.3 Applications to make an entry on the Commissioning Intentions list ***MUST*** be made via the Divisional Directors Group or through Joint Commissioning.

B Developing the Commissioning Plan

6. General

6.1 What is the Commissioning Plan?

Prior to entering into any procurement you MUST develop your business case by researching the procurement and speaking to all relevant parties, obtaining all relevant information. The Commissioning Plan falls out of this research and forms the business case that is approved prior to commencing the procurement.

6.2 The requirement for goods and/or services ***MUST*** start with an identifiable need which reflects the Council's overall objectives identified within Directorate, Service and Team Plans. You ***MUST*** understand the business requirements and how it impacts all levels of the organisation and local community. Consider the relevance of Council policies and procedures and how they have a bearing on the requirement.

7. Budget

7.1 Before starting the procurement, you ***MUST*** have budgetary approval. You ***MUST*** establish the aggregated monetary value of your requirement early, as this identifies the process that you follow, influences the amount of work you do and indicates the level of interest that will be generated.

8. Key stakeholders

8.1 You ***MUST*** identify the key stakeholders for the project including anyone impacted by the requirement. You should consider doing a Communications Plan for larger projects. You ***MUST*** be mindful of any Conflict of Interest and take necessary precautions to ensure that if there is a conflict, it is mitigated and/or managed. You ***MUST*** get Legal, Procurement and Financial advice prior to commencing any procurement.

9. Proportionality

9.1 You ***MUST*** provide the suppliers the information they need to understand the requirement but not overload them with unnecessary information.

10. Market Analysis

10.1 Consider talking to suppliers before starting the procurement, trialling products, visiting supplier premises or the premises of a supplier's customer. The Regulations explicitly permit preliminary market consultation. This type of pre-procurement engagement or consultation could focus on:

What is being purchased?

Is the specification realistic? Is it too ambitious? Not ambitious enough?

What will the process look like?

Do potential bidders have any concerns about timescales, for example?

You ***MUST*** keep adequate records of market research carried out.

10.2 You ***MUST*** complete Procurement Business Case Approval for any procurement on ProContract prior to commencing the next stage.

11. Bidders' conflicts of interest

11.1 If a potential candidate has advised the Council or been involved in the preparation of the procurement procedure, the Council is expected to take "appropriate measures" to ensure the resulting competition is not distorted by that candidate's pre-procurement involvement. This might include, for example, communicating relevant information to other candidates / tenderers. The Council cannot exclude a candidate from a procurement unless there is genuinely no other way to ensure that there is equal treatment of tenderers in the procurement process.

C Developing the Procurement Plan

12. Procurement Plan

DO YOU REALLY NEED IT? IF YOU WANT TO SAVE, DON'T SPEND!
Allow plenty of time to draft the specification and the detail it will need
How can Think Local apply to what you are buying? see Think Local One Year On Report.docx
Does the scope include Social Value for Residents or the Area? see **Appendix 6 (Social Value)**
Does the Council already have in place any Contract or Framework in scope which you should be using? Check the Contract Register see **Appendix 7 (Contract Register)**
Is there an external Framework or Contract that you should be using? see **Appendix 8 (Framework Agreements**)
How will you decide on the procurement route? – see **Appendix 9 (Procurement Options)**
Should we be leasing rather than buying? See **Appendix 10 (Asset Leasing)**
If buying, what form of Contract are you going to use? see **Appendix 11 (Contract Forms and Terms & Conditions)**
Who has the delegated authority to agree the purchase/approve the procurement method and process/approve the Contract award? – see **Appendix 12 (Scheme of Delegations)**
How will you decide who will win the Contract? – see **Appendix 13 (Evaluation Criteria & Debriefing)**

12.1 Before you commence any Procurement exercise, you ***MUST*** complete the report **Approval to Procure [Goods, Works, Services]** and obtain authorisation to proceed for all procurements above £50k in value.

D Undertake the Procurement Process

13. Procurement Process

13.1 The flowchart below illustrates the procurement and commissioning process from planning, through contracting with the supplier, performance monitoring and reviews and finally analysis of the outcomes and the market for future needs.

13.2 Summary Financial Thresholds

The table below defines the procurement process run by the procurer, dependent on the Contract value (see **Appendix 15 (Minimum Requirements**) for further details.

If you are purchasing IT Hardware or Software, you ***MUST*** do so in accordance with the IT Procurement Policy available on the intranet.

1.	**BELOW £500:**
1.1	***Have you followed "Developing the Procurement Plan"?***
1.2	Consider use of a **purchasing card**.
1.3	Apply **Think Local** (Preference will be given to local suppliers where they exist and provided they offer Value for Money)
1.4	Demonstrate **Value for Money** by testing the market
2.	**£501 – £5,000:**
2.1	***Have you followed "Developing the Procurement Plan"?***
2.2	Apply **Think Local**. (Preference will be given to local suppliers where they exist and provided they offer Value for Money)
2.3	Consider the **Social Value Policy** (and use **Toolkit** where relevant)
2.4	Demonstrate **Value for Money** by testing the market
2.5	[Recommended that you] record the new Contract on Contract Register.
3.	**£5,001 – £50,000:**
3.1	***Have you followed "Developing the Procurement Plan"?***
3.2	Apply **Think Local** (Preference will be given to local suppliers where they exist and provided they offer Value for Money)

3.3	Consider the **Social Value Policy** (and use **Toolkit** where relevant)
3.4	Advertise in Contracts Finder if contract is above £25K (see Appendix 20 Below Threshold Contracts)
3.5	DO NOT use a PQQ. Consider what suitability questions to ask instead (see **Appendix 14 (Capability and Financial Checks))**
3.6	Obtain at least 3 written Quotes through ProContract
3.7	Award the Contract based on your chosen criteria (price or price and quality).
3.8	You ***MUST*** record the new Contract on Contract Register
3.9	Advertise the Contract award via Contracts Finder
4.	**£50,001 – £100,000:**
4.1	***Have you followed "Developing the Procurement Plan"?***
4.2	You ***MUST*** add to Commissioning Intentions List
4.3	Consider the **Social Value Policy** (and use **Toolkit** where relevant)
4.4	Advertise in Contracts Finder (see Appendix 20 Below Threshold Contracts)
4.5	DO NOT use a PQQ. Consider what suitability questions to ask instead (**see Appendix 14 (Capability and Financial Checks))**
4.6	Obtain at least 3 written Tenders through ProContract
4.7	You ***MUST*** take up references for the preferred bidder before award Reference Questionnaire.doc
4.8	Award the Contract based on your chosen criteria (price and quality) and complete the Procurement Evaluation Report.
4.9	You ***MUST*** record the new Contract on Contract Register
4.10	Advertise the Contract award via Contracts Finder

5.	**£100,001 – EU Threshold*:**	
5.1	***Have you followed "Developing the Procurement Plan"?***	
5.2	You ***MUST*** add to Commissioning Intentions List	
5.3	You ***MUST*** apply the **Social Value Policy** (and use **Toolkit** where relevant)	
5.4	Advertise in Contracts Finder (see Appendix 20 Below Threshold Contracts)	
5.5	DO NOT use a PQQ. Consider what suitability questions to ask instead (see **Appendix 14 (Capability and Financial Checks**))	
5.6	Obtain at least 3 written Tenders through ProContract	
5.7	You ***MUST*** take up references for the preferred bidder before award Reference Questionnaire.doc	
5.8	Award the Contract based on your chosen criteria (price and quality) and complete the Procurement Evaluation Report.	
5.9	You ***MUST*** record the new Contract on Contract Register	
5.10	You ***MUST*** get the Contract sealed	
5.11	Advertise the Contract award via Contracts Finder	
6.	**Works contracts between £172,514 and EU Threshold*:**	
6.1	***Have you followed "Developing the Procurement Plan"?***	
6.2	You ***MUST*** add to Commissioning Intentions List	
6.3	You ***MUST*** apply the **Social Value Policy** and **Toolkit**	
6.4	Consider whether to call off from an existing framework	
6.5	If not, advertise the Contract and invite tenders through ProContract (no need to follow an OJEU process)	
6.6	You ***MUST*** evaluate the financial standing of the tenderers (**See Appendix**	

	14(*Capability and Financial Checks*)). You ***CAN*** use a PQQ. [PQQ (Works).docx]
6.7	You ***MUST*** take up references for the preferred bidder before award Reference Questionnaire.doc
6.8	You ***MUST*** complete the Procurement Evaluation Report [Report - Procurement Evaluation & Approval OJEU.doc]
6.9	Award the Contract based on your chosen criteria (price and quality
6.10	You ***MUST*** get the Contract sealed
6.11	You ***MUST*** record the new Contract on Contract Register
7.	**Above EU Threshold:**
7.1	***Have you followed "Developing the Procurement Plan"?***
7.2	You ***MUST*** add to Commissioning Intentions List
7.3	You ***MUST*** apply the **Social Value Policy** and **Toolkit**
7.4	Follow an EU-compliant procedure – see **Error! Reference source not found.** (*Procurement Options*) – through ProContract
7.5	You ***MUST*** evaluate the financial standing of the tenderers (**Appendix 14 (*Capability and Financial Checks*)).** If using a PQQ, ***MUST*** use the Cabinet Office Standard [PQQ (Goods and Services).docx] or [PQQ (Works).docx]
7.6	You ***MUST*** take up references for the preferred bidder before award Reference Questionnaire.doc
7.7	You ***MUST*** complete the Procurement Evaluation Report [Report - Procurement Evaluation & Approval OJEU.doc]
7.8	Award the Contract based on your chosen criteria (price and quality
7.9	You ***MUST*** get the Contract sealed
7.10	You ***MUST*** record the new Contract on Contract Register

*The EU Threshold levels are given in **Appendix 17**. The Light Touch Regime for Health and Social Services type Contracts is explained at **Appendix 9 (Procurement Options)** and has different threshold levels.

Be aware that it is vital that you carefully estimate the value of the contract. If you have issued tenders for a below threshold contract and the tender responses indicate that the value of the successful tender will go above the threshold, you ***MUST*** stop the process and re-tender under OJEU. To avoid this, it is better to consider tendering under OJEU in the first instance.

E Contract Award & Implementation

14. General

14.1 It is critical that the Contract award and implementation are carried out effectively. Prior to contract award you ***MUST*** ensure that your objectives are fully addressed and that all approvals to award issues are covered.

15. Approval to Award

15.1 The Procurement Evaluation and Approval Report ***MUST*** be completed in line with the Public Procurement Regulations Procurement Evaluation & Approval OJEU. The report ***MUST*** explain in full how you have come to the decision to award to the particular supplier in question for all procurements above £50k.

15.2 The report concludes with an approval signatory to award the Contract. You ***MUST*** have the appropriate sign-off prior to notifying the supplier(s) of your decision. See **Appendix 12 Scheme of Delegations** for further details.

16. Notifying Suppliers

16.1 Above the EU Thresholds there are strict rules on how to debrief suppliers including a ***Mandatory*** 10 day Standstill Period prior to confirming Contract award. **Appendix 14 Contract Award & Debriefing** gives more information.

16.2 If the supplier requests a face to face debrief, it is normal and courteous to do this where the Contract is complex, of high value and/or has taken a long time to complete, so long as you do so in a transparent and non-discriminatory way.

17. Publications

17.1 For Contracts above the EU Thresholds, you ***MUST*** submit a Contract Award Notice in the OJEU.

17.2 All Contracts above £25K in value ***MUST*** be published on Contracts Finder. See Appendix 20 (Below Threshold Contracts caught by Part 4 of the Regulations).

17.3 You ***MUST*** update the Contract Register (see **Appendix 7 (The Council's Contract Register)**

17.4 You ***MUST*** file documents in the Contract Register in line with document retention policies (**see Appendix 17 Document Retention**).

F Post Contract Award

18. General

18.1 Once the Contract has been awarded you ***MUST*** put into place the agreed contract management controls and measures. You ***MUST*** review the process to ensure the Contract achieves its objectives and future benefits.

19. Contract Management

19.1 You ***MUST*** establish processes for recording the receipt of goods and progress of work, reviewing performance reports etc.

19.2 You ***MUST*** put in place both formal and informal communications to manage the relationship, as appropriate.

19.3 You ***MUST*** put in place a method of capturing the views of the service users/interested stakeholders including feedback to them on the service performance

20. Reviews

20.1 You ***MUST*** review the commissioning plan (against any changes in priorities/ objectives)

20.2 You ***MUST*** review the risk assessments and make any amendments to resource assumptions

20.3 You ***MUST*** review procurement plans to identify any changes or improvements to methodology for next time Lessons Learned Log.xls

20.4 All answers to above ***MUST*** be used to inform future commissions

21. Continuous Improvement

21.1 You should review your success against your original plans, i.e. did you achieve the outcomes you set out to achieve and do you understand what contributed to or prevented success?

21.2 You should share your learning with colleagues, service users and stakeholders to ensure you are continuously improving your processes and skills

21.3 Reflect on the views of service users/stakeholders when reviewing whether the Commissioning and Procurement Plans were successful

22. Contract Extensions

22.1 Extending a Contract ***MUST*** only happen in particular circumstances **(see Appendix 18 Contract Variations and Extensions).**

If an extension clause has been included in the Contract, then it is permissible to extend but this should only be done if it represents value for money to extend and if the performance of the supplier warrants it.

Appendix 1. Glossary

Appendices	The appendices to these CSOs
Area	The administrative area of Bath & North East Somerset Council
Best Value	The Council's duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness in accordance with section 3(1) of the Local Government Act 1999 and associated statutory guidance
Buying	Purchasing goods, services or works through an external supplier or contractor
Commissioning Intentions	The Council's published list of future procurement and commissioning activities above £50,000 found on the B&NES website. The intention is to highlight to potential suppliers the forthcoming opportunities for tendering. This is a statutory requirement under Localism Act.
Conflict of Interests	A set of circumstances that creates a risk that an individual's ability to apply judgement or act in one role is or could be, impaired or influenced by a secondary interest.
Contract	An agreement to supply Goods/Services/Works formed when there is an offer by one party and an acceptance of that offer by a second party. A Contract can be formed verbally as well as in writing.
Contract Award Notice	An advertisement entered by a buyer in the OJEU to advise interested parties that a Contract has been awarded by the buyer to a named supplier.
Contract Notice	An advertisement entered by a buyer in the OJEU to advise interested parties of the intention of the buyer to go to market to buy goods/services/works. It gives details of the requirements of the buyer.
Contract Register	The Council's repository for all its current Contracts and Framework Agreements, located on ProContract.
Contracts Finder	The Government's website on which all opportunities that are advertised for Contracts and Framework Agreements

	(and call-offs from Framework Agreements) for goods services and works above £25,000 ***MUST*** be published. You advertise on Contracts Finder via the ProContract system.
Council Executive	The body of local Councillors elected by the community to decide on how the Council will carry out its various activities.
Council Members	The elected councillors who sit on the Council Executive.
CSOs	These Contract Standing Orders (including the Appendices)
EU Thresholds	The financial thresholds above which a procurement via OJEU will normally be required, as set out at **Appendix 15 (Minimum Requirements and Thresholds)**
Financial Regulations	The Council's Financial Regulations, which can be found on the intranet.
FOIA	The Freedom of Information Act 2000 and the Environmental Information Regulations 2004
Forward Plan	The Council's Forward Plan, which can be found on the intranet.
Framework Agreement	An 'umbrella' agreement that sets out the prices, service levels, and terms and conditions for subsequent call-off orders. Guidance on Framework Agreements can be found at Guide for Framework Agreements.docx.
General Principles	The General Principles set out at A – Statement of Principles.
Grant	An arrangement will be a grant when the Council gives a donation to an organisation without receiving a benefit in return. The organisation is not obliged to provide the service, It can decide not to provide the service but would then have to repay the donation.
Invitation to Tender or	The invitation to tender is sent at the stage of the

ITT	procurement process when you invite selected bidders to present their tenders in response to the stated requirements and evaluation criteria.
Light Touch Regime	The Light-Touch Regime is a specific set of rules for Contracts for certain services that tend to be of lower interest to cross-border providers. It includes certain social, health and education services. The list of services to which LTR applies is covered **in Appendix 10.**
Local	Within the Area
Local Authority Controlled Company	Where a contracting authority sets up a separate legal entity and then awards contracts to that legal entity. A two part test has to be satisfied, relating to control and activity: • Control: the controlling authority has to exercise sufficient control over the controlled body; and • Activity: the controlled body has to carry out the essential part of its activities for its owner authority. In addition there is a requirement that there is no private sector participation in the body which satisfies the two part test.
Most Economically Advantageous Tender or MEAT	Awarding a Contract for works, goods or services based on a combination of both overall cost AND service elements and not just cost alone.
NBO	The Named Buying Officer with responsibility for the procurement process from start to finish
OBC	Outline Business Case
Officer	Employees of the Council
OJEU	The Official Journal of the European Union, where Contracts and Framework Agreements are advertised to potential suppliers across the EU.

OJEU Compliant Process	A procurement exercise that has been carried out in accordance with the rules of the European Union under the Public Contracts Regulations 2015 and the Directive 2014/24/EU on public procurement. See **Appendix 20 Procurement Processes** for a list of the main types of procurement procedures.
Pre-Qualification Questionnaire or PQQ	A questionnaire which is used in certain procurement procedures which allow procurers to shortlist the number of companies that will be invited to Tender. Above EU Thresholds this ***MUST*** **reflect the Cabinet Office standard PQQ and associated guidance:** A PQQ is NOT permitted for procurements valued between £25k and £172,514 (see **Appendix 20 Procurement Processes** for more details).
ProContract	The Council's procurement portal
Quote/Quotation	A request for pricing and/or quality bid from a potential supplier for goods/services/works below £50,000. Similar to a Tender but with more limited detail generally required from bidders.
Regulations	The Public Contracts Regulations 2015
Residents	Means residents of the Area
Scheme of Delegations	The scheme of delegations set out at **Appendix 12 (Scheme of Delegations)**
Select lists	Lists of approved suppliers
Social Value	Described in the Social Value Act as improvements to the economic, social and/or environmental well-being of the Area. So the benefits sought could be in the form of social benefits (for example reducing anti-social behaviour), economic benefits (for example increasing local employment), or environmental benefits (for example reducing local congestion).

Social Value Act	The Public Services (Social Value) Act 2012, which requires the Council to consider, pre-procurement, how what it procures might improve the economic, social and environmental well-being of the Area, and how best to use the procurement process to secure that improvement. There is also a duty to consider whether to undertake any consultation in making its decisions.
Standstill Period	A ***Mandatory*** 10 day period (which ***MUST*** be applied to above EU Thresholds procurements) between the notification to suppliers of the decision to award the Contract and the date of signing/entering into the Contract. The period is intended to give unsuccessful tenderers the opportunity to challenge the award if they wish. The period is longer if notifications are not sent electronically.
Tender	A request for pricing and/or quality bid from a potential supplier for goods/services/works above £50,000. Similar to a Quote but more detailed proposals are generally required from tenderers..
Think Local	The Council's policy on local purchasing, which can be found at Think Local Procurement Strategy.docx
TUPE	The Transfer of Undertakings (Protection of Employment) Regulations 2006. Legislation which protects employment rights of those whose job will be transferred to a new employer upon change of contractor by award of a Contract.
Value for Money or VfM	the optimum combination of whole-of-life costs and quality (or fitness for purpose) of the goods, works or Services to meet the Council's requirement
VAT	Value Added Tax

Appendix 2 CSO Exemptions

1. Contracts below the EU Thresholds

Specific Officers may approve exemptions to these CSOs (to the extent that it is lawfully able to do so) in genuinely urgent situations and/or where there is a sound legal, financial or Value for Money reason (See **Appendix 12 Scheme of Delegations)**. They ***MUST***:

- give reasons for doing so on the Exemption Form (and record these in the minutes of the relevant meeting);
- The completed and signed exemption form ***MUST*** be entered in the Contract Register (**see Appendix 7 Contract Register**). Exemption Form

The following are considered acceptable reasons for seeking an exemption:

- quantifiable and significant cost and efficiency savings can be achieved through seeking an alternative route;
- reasons of extreme urgency mean that normal time limits cannot be met, including as a result of unforeseen emergency or disruption to Council services;
- the Council would otherwise be exposed to immediate and significant financial, legal or reputational risk that has been identified in the relevant risk register; Risk_Register.xls
- only one Contractor is objectively able to provide the works, services or supplies in question (in which case the exemption ***MUST*** be to the number of Quotes / Tenders that are sought);
- additional or new services, supplies or works are required which, through unforeseen circumstances, were not included in an existing Council Contract and are necessary for the completion of the Contract and/or cannot be carried out separately.
- new works or services/supplies are required which are a repetition of works, services/supplies carried out under the original Contract, provided they are required within 1 year of the original Contract.
- goods are required as a partial replacement for or addition to existing goods or installations and obtaining them from another source would result in incompatibility or disproportional technical difficulties in operation or maintenance.

- the Council has the benefit of a "Teckal" relationship with a company under Regulation 12, and exercises over the company concerned a control which is similar to that which it exercises over its own departments and, at the same time, that company carries out the essential part of its activities with the Council's control.

You are reminded that an exemption will ***not*** be granted where this means the Council would not be complying with the General Principles or general law.

2. Contracts above the EU Thresholds

You cannot exempt the application of the EU procurement rules. You may need to consider other procurement routes. See **Appendix 19 (Procurement above the EU Thresholds)** for details. If you are having difficulty you ***MUST*** consult with Corporate Procurement for more information.

Appendix 3 Business Ethics

1. General

Business ethics focuses on what constitutes right or wrong behaviour in the world of business. The following will help you to address ethical dilemmas during your procurement process.

2. Code of Conduct

All procurement exercises ***MUST*** be carried out with openness and transparency and with integrity and fairness to all suppliers.

Officers of the Council ***MUST*** conduct themselves in line with the Council's HR Code of Conduct including with regards to the receiving of hospitality and gifts and the giving and receiving of sponsorship.

3. Separation of Roles during Tendering

Council Members and employees involved in the tendering process and dealing with contractors ***MUST*** be clear on the separation of client and contractor roles within the Council. Senior employees who have both a client and contractor responsibility ***MUST*** be aware of the need for accountability and openness.

Council Member and employees who are privy to confidential information on Tenders or costs for either internal or external contractors ***MUST*** not disclose that information to any unauthorised party or organisation. For further information, see the Members' Code of Practice guidance document (LINK).

4. Conflicts of Interest

There ***MUST*** be no conflict of interest with any suppliers or contractors. Where a conflict is identified, the member of staff concerned ***MUST*** not take any further part in the tendering process, to preserve the integrity of the process. For further advice, contact the Legal Department or the Procurement team.

5. **Corruption**

Council Members and employees ***MUST*** be aware that it is a serious criminal offence for them corruptly to receive or give any gift, loan, fee, reward or advantage for doing, or not doing, anything or showing favour, or disfavour, to any person in their official capacity. If an allegation is made, it is for the individual to demonstrate that any such rewards have not been corruptly obtained. For further guidance, see the B&NES Gifts and Hospitality policy on the intranet.

6. **Use of Financial Resources**

Council Members and Officers ***MUST*** ensure that they use public funds entrusted to them in a responsible and lawful manner and in accordance with the Council's Financial Regulations. They should strive to ensure Value for Money to the Area and to avoid legal challenge to the Council.

7. **Lobbying**

It is recognised that lobbying is a normal and perfectly legitimate element of the process of local governance however it is important that Members protect their impartiality and integrity when dealing with external contractors and suppliers.

Members ***MUST NOT*** breach the Bath & North East Somerset Code of Conduct by listening to or receiving viewpoints from contractors and suppliers or other interested parties unless they make it clear that they are keeping an open mind. Indicating a bias toward a particular product, supplier or contractor would prejudice impartiality and could lead to a legal challenge against the Council.

8. **Former Council Employees**

Council Members and employees should endeavour to ensure that where they contract with a supplier to provide services or works to the Council, that the supplier does not employ a former Council employee when producing and submitting the response to the tender. This will ensure that all suppliers in the tendering process and treated fairly and that no one supplier is given a tendering advantage and respects Council confidentiality.

Appendix 4 Confidentiality, Intellectual Property, Data Protection, Transparency and Redaction

1. Confidentiality

1.1 The Council has a responsibility to ensure that information provided to suppliers and provided by suppliers is treated confidentially. This is not only good practice but also gives the suppliers confidence that they are being treated fairly and without discrimination. Information provided by the Council is given to suppliers in confidence and only to those whom they need to consult for the purpose of preparing the Tender, such as professional advisors or joint bidders.

1.2 If a Conflict of Interest arises or if at any time during the procurement it is discovered that the tenderer has not acted confidentially, the Council has the right to eliminate them from the procurement exercise.

1.3 Tenderers have the right to state what elements of their Tender response they want to remain confidential however under the Freedom of Information Act the Council ***MUST*** provide information requested with some exceptions such as commercially confidential items (pricing, intellectual property etc.) which can be redacted from the version published in the public domain. Contractors' cooperation may be needed to ensure the Council complies with requests for information.

2. Intellectual Property

2.1 "Intellectual Property Rights" includes patents, inventions, trade-marks, service marks, logos, design rights, copyright, database rights, domain names, trade or business names, moral rights and other similar rights or obligations.

2.2 Generally speaking, all intellectual property rights in all works or supplies provided under a Contract which are written or produced on a bespoke or customized basis would be owned by the Council and the contractor should be required to ensure that it allows such ownership.

2.3 However, where the supplier provides existing intellectual property right protected material to the Council under a Contract, it has to warrant it has the right to do so and it fully indemnifies the Council against all loss or liability arising from any third party intellectual property rights claims arising both from such existing material and in relation to any such bespoke work.

3. Data Protection

3.1 The Data Protection Act 1998 (DPA) is an Act of Parliament which defines UK law on the processing of data on **identifiable living people.** It is the main piece of legislation that governs the protection of personal data in the UK. All Officers are legally obliged to comply with the Act.

3.2 The Council's Terms and Conditions of Contract contain a data protection clause which states what contractors can and can't do with any personal data provided to them under a Contract.

3.3 In certain Contracts where a supplier is required to process personal data or hold personal information for the purpose of executing the Contract, then Officers should include a questionnaire relating to Information Governance issues and evaluate the responses. Guidance can be obtained from the Information Governance Manager.

4. Transparency

4.1 Under the Local Government Transparency Code Local Government Transparency code 2015.pdf the following items ***MUST*** be published.

- all individual items of expenditure above £500;
- every transaction made using a Government Procurement Card;
- a list of all Invitations to Tender for goods and services exceeding £5000;
- a list of all contracts, Framework Agreements, purchase orders and commissioned activity in excess of £5000.

The Corporate Procurement department arrange for this information to be published on the Council website and www.gov.uk.

5. Redaction of Data

5.1 It is the responsibility of the service department to ensure that the information provided for publication under the transparency code has been cleansed and any personal or sensitive information has been redacted prior to publication. No responsibility for this redaction exercise will be taken by the Corporate Procurement Team.

Appendix 5 Specifications

For a compliant OJEU procurement process, the Council ***MUST*** draft the technical specifications for a Contract upfront, before starting the procurement process. This is good practice even when you do not have to comply with the Regulations.

What the technical specifications look like will vary widely depending on the nature of the Contract. If you are having difficulty drafting a specification for the Contract, please see the guidance document at Guide for How to Write a Specification.docx.

The attached links give guidance on TUPE, Health & Safety and Insurance when related to specification drafting.

Guide on Health and Safety Issues.docx

TUPE Guide.pdf

Guide on Insurance

Appendix 6 Social Value

The Social Value Act requires the procurer to consider securing economic, social, or environmental benefits when buying services above the EU Thresholds through what is being bought, and how it is procured.

This duty relates to:

- ***all*** service Contracts to which the Regulations apply (including those under the Light Touch Regime;
- services Contracts with a works / supplies element that is so incidental that the Contract would ordinarily be considered a services Contract under the Regulations; and
- Frameworks Agreements for such Contracts.

The Council ***MUST*** also think about whether **consultation** on Social Value matters is needed.

The Council has a Social Value Policy and Toolkit which can be found here: Social Value Policy and BANES Social Value Toolkit . You ***MUST*** apply the Social Value Policy and Toolkit to:

- ***all*** works Contracts (including Contracts for a mixture of works and services or supplies) where the value of the Contract is expected to exceed **£500,000**;
- ***all*** services Contracts and supplies Contracts (including Contracts for a mixture of works and supplies or services, and regardless of whether the full EU procurement regime applies) where the value of the Contract is expected to exceed **£100,000**;
- ***all*** Framework Agreements where the anticipated spend in any financial year is expected to exceed £500,000 for works and £100,000 for goods and services;
- ***all*** joint Contracts with other purchasers where the value of the Council expenditure is expected to exceed £500,000 for works and £100,000 for goods and services.

The Social Value Policy focuses on achieving targeted recruitment and training through Contracts as the Council's priority, but where other aspects of Social Value are relevant to a Contract they should of course be considered.

Appendix 7 The Council's Contract Register

The Council's Contract Register is the section of ProContract which records and stores information on the Council's Contracts. It:

- provides key information to Council Members and Officers on existing current and expired Contracts;
- provides limited information to the general public (including start and end dates, Contract value, and key contact details);
- interacts with the rest of ProContract, and so can help to ensure Contracts are renewed or re-procured in good time.

When should I put something on Contract Register?

Recording of Contracts on Contract Register is ***Mandatory*** for all Contracts valued above **£5,000**. However, it is recommended for Contracts of any value.

Any agreed exemptions ***MUST*** be placed on Contract Register.

You ***MUST*** also try to keep the information on Contract Register up to date, for example if:

- a Contract is extended;
- the key contact for a Contract changes (e.g. if an Officer leaves).

Before you Purchase Anything

You ***MUST*** check the Contract Register before you start any procurement activity, in case there is an existing Council Contract which covers your need that you could be using. Saving Officer time and Council expense by using an existing Contract will almost always represent Value for Money.

Appendix 8 Framework Agreements and Dynamic Purchasing Systems

Framework Agreements

A Framework Agreement is an 'umbrella' agreement negotiated with suppliers whereby at the start of the agreement the exact quantity of goods or services required over the period of the agreement cannot be determined.

1. For example, when you put together an agreement with a supplier to buy stationery, you won't know exactly how many pens, pencils, rulers etc. you will need over the period of the agreement, or when you will place the orders.
2. The intention behind a framework is to streamline the competitive process by enabling one OJEU process to set up the protocol by which multiple Contracts can be called off. They can be created so that one, or many, purchasers are able to benefit from the arrangements. Equally they can be created with one provider, or a number (in which case often a "mini-competition" is used to decide which provider is used each time there is a call-off.
3. Frameworks are therefore useful when you anticipate that you are likely to need the same – or similar- provision on a number of occasions over time. They are normally limited to four years in length.
4. There is no obligation to buy anything from a Framework Agreement and you are not committing the Council to any spend. However every time you place an order from a Framework Agreement, you are entering into a legally binding Contract.

For more information on Framework Agreements, see Guide for Framework Agreements.docx

Dynamic Purchasing Systems

A DPS is similar to a framework agreement however whereas a framework is set once the award has been made and no new suppliers can be added to it, a DPS will allow new suppliers to be added, PROVIDED that they meet the objective selection criteria laid out in the original contract notice or advertisement. For further information, see the link Guide for Dynamic purchasing systems.docx

Appendix 9 Procurement Options

1. Below the EU Thresholds

Below the EU Thresholds, the procurement process is more flexible. See the main body of the CSOs, and **Appendix 15 (Minimum Requirements)** for details of the requirements for different values of spend.

However before you commence any Procurement exercise, you ***MUST*** complete the report Approval to Procure [Goods, Works, Services] and obtain authorisation to proceed for all procurements above £50k.

Firstly you ***MUST*** consider if there is an existing Contract or Framework you could use, either one established by the Council, or one procured by a central purchasing body.

Use of ProContract is ***Mandatory*** for Contracts above £5000, and it steers you through the process including:

- Advertising the Contract
- Tender stage
- Contract award.

In the absence of an existing agreement, all opportunities for Contracts and Framework Agreements above £25,000 that are advertised ***MUST*** be advertised on Contracts Finder and an Award Notice published within 30 days of the Contract award date. See Appendix 20 for further details.

2. Above the EU Thresholds

Please see **Appendix 19 (Procurement above the EU Thresholds)**.

3. Health and “Social” Services - (Light Touch Regime)

This section applies to Contracts for the following Services:

- Health, social and related Services
- Administrative, social, education, healthcare and cultural Services
- Compulsory Social Security Services
- Benefit Services
- School Meals and Catering Services

- Other community, social and personal Services including Services furnished by trade unions, political organisations, youth associations and other membership organisation Services
- Religious Services
- Hotel and Restaurant Services
- Legal Services
- Other administrative and government Services
- Provision of Services to the community
- Prison related Services, public security and rescue Services to the extent not excluded pursuant to point (h) of Article 10
- Investigation and security Services
- International Services
- Postal Services
- Miscellaneous Services

When you are buying these sorts of services, the "Light Touch Regime" will apply if the Contract is valued above the EU Threshold. The Threshold for LTR is 750,000 euros (currently £625,050) which is approximately £156,000 per year assuming a four year Contract. The Light Touch Regime requires you to:

- issue a Contract Notice or Prior Information Notice in OJEU
- follow a transparent and fair procedure which treats potential service providers equally; and
- issue a Contract Award Notice (as for any "full" OJEU procedure).

The Regulations require the Council to:

- give information in the Contract Notice about:
  - any conditions for participating in the competition (e.g. "prequalification" criteria);
  - any time limits for contacting the Council;
  - the award procedure that the Council will apply.
- ensure that any time limits imposed on interested providers are reasonable and proportionate.

The Council can choose to apply a procedure that looks similar to one of the "main" EU procurement procedures (see **Appendix 19 (Procurement above the EU Thresholds)**, but does not have to.

The Council ***MUST*** apply the Guidance of the new Light Touch Regime for Health, Social Education and certain other Service Contracts published by Crown Commercial Service.

Appendix 10 Asset Leasing

1. General

1.1 The implementation of the Prudential Code in April 2004 introduced new freedoms for local authorities to pursue various capital and revenue options for the funding of asset acquisitions. It is therefore important to ensure the most cost effective form of funding is sourced for each acquisition.

1.2 Objectives of controlling

Asset leases are to ensure-:

(a) compliance with the Prudential Code

(b) terms and conditions of leases are appropriate.

(c) the lease is correctly recorded in the Council's accounts.

(d) compliance with the Regulations.

1.3 Implications if the above objectives are not achieved:

(a) non-compliance with the Prudential Code Value for Money requirements.

(b) the cost of leasing the asset is greater than alternative finance options.

(c) the Council's accounts are incorrectly stated.

(d) legal challenge as a result of a breach of the Regulations.

1.4 Key Responsibilities for Members and Officers:

(a) every Strategic and Divisional Director ***MUST*** refer all proposed leasing arrangements, within their Services, to the Chief Finance Officer-: and

(b) approval ***MUST*** be obtained from the Chief Finance Officer for all asset leases.

1.5 More information on the Prudential Code can be obtained from www.cipfa.org

1.6 Asset leases are treated as supplies Contracts for the purpose of the Regulations and so the Regulations will apply in the normal way.

Appendix 11 Contract Forms and Terms & Conditions

1. General

The Regulations require the Council to make its procurement documents available electronically from the published date of the Contract Notice (Regulation 53). Procurement documents include the proposed Terms and Conditions of Contract (T&Cs) as well as PQQs and ITTs. This means that the PQQ, ITT and T&Cs, for any EU procurement process ***MUST*** be drafted **before the Contract Notice is issued**.

The Council considers it good practice to apply this rule to all Contracts, whether or not the Regulations are followed. It is therefore the expectation that the Contract form will have been decided on before the procurement / tendering process starts.

2. Contracts below the EU Thresholds

For the majority of Contracts under the EU Thresholds it will normally be appropriate to use the Council's standard Terms and Conditions, which can be found here: [***link***].

3. Contracts above the EU Thresholds

For Contracts valued above the EU Thresholds you can use the Council's standard Terms and Conditions [link] or it may be more suitable to use an industry standard form of Contract, or a bespoke Contract drafted for the particular Contract in question.

When considering which type of Contract to use, you should consider the points in the guidance document attached, and if appropriate discuss with the Head of Strategic Procurement

Guide for Contract Forms and Terms & Conditions

Appendix 12 Scheme of Delegations

The following people / positions / committees have delegated authority to agree or approve expenditure:

Contract Value	Authority For OBC	Authority To Agree Procurement Process	Place On Forward Plan (Y/N)	Approval Docs Required	Authority To Award The Contract	Authority To Sign An Exemption	Authority For Signing/Sealing
Up to £500	n/a	Cost Centre Manager	N	Bid Evaluation	Cost Centre Manager	Cost Centre Manager	Cost Centre Manager (signing)
£501 to £5,000	n/a	Cost Centre Manager	N	Bid Evaluation	Cost Centre Manager	Cost Centre Manager	Cost Centre Manager (signing)
£5,001 to £50,000	n/a	Cost Centre Manager	N	Bid Evaluation	Cost Centre Manager	Divisional Director	Cost Centre Manager (Signing)
£50,001 to £100,000	Divisional Director	Service Area Manager	Y	Tender Evaluation Document	Divisional Director	Divisional Director	Divisional Director (Signing) and Head of Legal (Sealing)
£100,001 to EU	Strategic Director	Divisional Director	Y	Tender Evaluation	Strategic Director with	Strategic Director with	Strategic Director with

Thresholds				Document	Cabinet Member approval	Cabinet Member approval	Cabinet Member Approval (Signing) and Head of Legal (Sealing)
Above EU Thresholds/ Emergency Purchases	Strategic Director	Divisional Director	Y (but not emergency purchases)	Single Member Decision	Cabinet Member	NOT ALLOWED above EU threshold	Head of Legal

Appendix 13 Evaluation Criteria & Debriefing

1. General

The Council ***MUST*** make its "procurement documents" available electronically from the date of the Contract Notice. The evaluation criteria and the weightings ***MUST*** be included in either the Contract Notice itself, or in the procurement documents. This means that you ***MUST*** have agreed the evaluation criteria for the Tender before the Contract Notice is issued.

2. Most Economically Advantageous Tender

Evaluation criteria ***MUST*** be based on the "Most Economically Advantageous Tender". This can be identified by:

- price or cost (using life-cycle costing)
- the best price-quality ratio (taking into account qualitative, environmental and/or social aspects linked to the subject matter of the Contract), including:
  - quality: technical merit, aesthetic and functional characteristics, accessibility, design for all users, social, environmental and innovative characteristics and trading and its conditions;
  - organisation, qualification and experience of staff assigned to performing the Contract (where this can have a significant impact on the level of the performance of the Contract);
  - after-sales service and technical assistance, delivery conditions such as delivery date, process and period, or period of completion.

If a Contract is for a fixed price, you can use just quality criteria.

Template evaluation criteria and scoring matrix is available at Scoring Methodology - OJEU.xlsx for above threshold procurements or Scoring Methodology - Non OJEU.xlsx for below-OJEU.

3. Debriefing

The guidance document at the attached link details what you ***MUST*** do when debriefing suppliers following the Tender/Quote exercise. Guide on Debriefing Suppliers.docx

Appendix 14 Capability & Financial Checks

1. General

You ***MUST*** ensure that any supplier interested in doing business with the Council has both the technical capability and the financial capacity to be able to perform the Contract.

2. Below EU Thresholds

Below £172,514 you ***MUST*** NOT use a PQQ to shortlist tenderers. You can ask "suitability assessment questions" that are relevant to the subject matter of the contract and are proportionate. These can relate to minimum standards of suitability, capability, legal status or financial standing.

3. These ***MUST*** be checked by the Service Area Finance Manager and any concerns addressed with the supplier prior to commencing any award of contract.**Above EU Thresholds**

Procurements above the EU Thresholds using one of the procedures described in **Appendix 19 Procurements above the EU Threshold – Options and Procedures.** This includes procedures which use a Pre-Qualification Questionnaire to shortlist candidates before inviting Tenders.

When using a PQQ stage, you ***MUST*** use the Cabinet Office standard PQQ. This includes standard questions on financial standing:

(a) a minimum yearly turnover which does not exceed twice the estimated Contract value;

(b) information on their annual accounts showing the ratios, for example, between assets and liabilities; and

(c) appropriate levels of insurance.

These ***MUST*** be checked by the Service Area Finance Manager and any concerns addressed with the supplier prior to commencing any award of contract.

4. Framework Agreements and Lots

There are specific rules that ***MUST*** be applied for Framework Agreements and lots. See the guidance in the link for frameworks. Guide for Framework Agreements.docx

Appendix 15 Minimum Requirements

1. Contracts Minimum Requirements

VALUE OF CONTRACT	MINIMUM PURCHASING REQUIREMENTS	MINIMUM CONTRACT REQUIREMENTS	ENTER ON COMMISSIONING INTENTIONS Y/N	USE OF PROCONTRACT	ENTER CONTRACT ON CONTRACT REGISTER
£1 - £500	– Use **purchasing card if** accepted by supplier – Demonstrate VfM by testing the market – Think Local	Ensure written record of purchase	No	Recommended	n/a
£501 - £5,000	– Demonstrate VfM by testing the market – Think Local – Consider the Social Value Policy & Toolkit	Ensure written record of purchase	No	Recommended	Recommended
£5,001 - £50,000	– Think Local – 3 written Quotes via ProContract – Consider the Social Value Policy & Toolkit – Do NOT use a PQQ but	Council's Standard Contract Terms (unless agreed with the Legal or Procurement departments)	No	Mandatory	Yes

	can ask suitability questions – Advertise on Contracts Finder if >£25K – State award criteria – Award Contract on Contracts Finder if >£25K				
£50,001 - £100,000	– Think Local – 3 written Tenders via ProContract – Consider the Social Value Policy & Toolkit – Advertise on Contracts Finder – Do NOT use a PQQ but can ask suitability questions – Advertise on Contracts Finder – State award criteria – Award Contract on Contracts Finder	Council's Standard Contract Terms (unless agreed with the Legal or Procurement departments)	Yes	Mandatory	Yes
£100,001 – EU Threshold (£172,514	– 3 written Tenders via ProContract – Apply the Social Value	Follow guidance at **Appendix 11 (Contract Forms**	Yes	Mandatory	Yes

goods and services or £4.3m works)	Policy and Toolkit – Advertise on Contracts Finder – Works can use a PQQ but NOT for Goods and Services below the threshold – State award criteria – Award Contract on Contracts Finder – Contract must be sealed	**and Terms & Conditions)**			
Above EU Threshold (£172,514 goods and services or £4.3m works)	– Follow an EU compliant procedure (see **Appendix 9 (Procurement Options), Appendix 5 (Drafting Specifications)** and **Appendix 13 (Evaluation Criteria)** and **Appendix 20 (Procurement above the EU Thresholds - Options)** – Apply the Social Value Policy and Toolkit	Follow guidance at **Appendix 11 (Contract Forms and Terms & Conditions)**	Yes	Mandatory	Yes

	– Advertise on Contracts Finder and in OJEU – Contract ***MUST*** be sealed – Award Contract in OJEU				
Light Touch Regime – *Below threshold (£625,050)*	– Think Local – 3 written Tenders via ProContract (above £50k) – Apply the Social Value Policy and Toolkit – Advertise on Contracts Finder if >£25k – State award criteria	Council's Standard Contract Terms (unless agreed by the Legal or Procurement Departments)	Yes (above £50K)	Mandatory	Yes
Light Touch Regime – above threshold (£625,050)	– Follow a procedure compliant with EU procurement rules for LTR (**see Appendix 7 Procurement Options**) – Apply the Social Value Policy and Toolkit – Advertise on Contracts Finder – Award Contract in OJEU – Contract ***MUST*** be sealed	Follow guidance at **Appendix 11 (Contract Forms and Terms & Conditions)**	Yes	Mandatory	Yes

Appendix 16 EU Procurement Thresholds & Timescales 2015 (subject to review 1/1/2016)

TYPE OF CONTRACT	THRESHOLD (€)	THRESHOLD (£)
Works	€5,186,000	£4,322,012
Supplies and/or (most) Services (for Local Government)	€207,000	£172,514
Social and other specific Services (Light Touch regime applies)	€750,000	£625,050

	SELECTION STAGE	TENDER STAGE	IF ELECTRONIC TENDER ACCEPTED	TENDER FOLLOWING PIN	TENDER BY AGREEMENT	URGENCY
Open Procedure	n/a	35 days	30 days	15 days	n/a	15 days
Restricted Procedure	30 days	30 days	25 days	10 days	At least 10 days	15/10 days
Competitive Procedure with Negotiation	30 days	30 days	25 days	10 days	At least 10 days	15/10 days
Competitive Dialogue	30 days	n/a	n/a	n/a	n/a	n/a
Innovation Partnership	30 days	n/a	n/a	n/a	n/a	n/a

The timeframes above are MINIMUM number of days from date the notice is sent.
It is recommended you allow 3 extra days to allow for notice publication

Appendix 17 Document Retention

Retention Classification	Retention Period
Contracts under seal (above OJEU Threshold)	12 years from Contract end This includes all Contract documents (specifications, drawings, certificates, Contract instructions and all relevant correspondence
Contracts not under seal	6 years from Contract end This includes all Contract documents (specifications, drawings, certificates, Contract instructions and all relevant correspondence
Unsuccessful Tenders and Quotes	4 years from the award of Contract
Abandoned Tenders and Quotes	4 years from the date of abandonment
Purchase files	***MUST*** be kept up to date at all times within the Council's e-tendering system and Contract Register
Hard copies of Contracts	Store locally for 6 years after date of purchase then archive 12 years after purchase, review for possible destruction/recycling

For more information about the sealing process, please refer to the Guide to Sealing contracts.docx

Appendix 18 Tender and Contract Variations, Extensions & Termination

1. Tender Variations/Variant Bids

You can request tenderers to submit variant bids linked to the subject matter of the bid, however you ***MUST*** indicate in the Contract Notice or the ITT the minimum requirements to be met by the variants and any specific requirements for their presentation, in particular whether variants may be submitted only where a Tender which is not a variant has also been submitted.

You ***MUST*** ensure that the award criteria can be applied to variants meeting those minimum requirements as well as to conforming "core" Tenders which are not variants. Only variants meeting the minimum requirements laid down by the Council shall be taken into consideration.

2. Contract Extensions

When you award a Contract/Framework, you ***MUST*** state the start and end dates and whether there is an option to extend beyond the 'initial term'. If an extension clause has been included in the Contract, then it is permissible to extend but this should only be done if it represents value for money to extend and if the performance of the supplier warrants it.

3. For further details on extensions and for a template letter that can be used please see Guide on Extending a Contract or Framework Agreement.docx and Letter - Contract Extension **Contract Variation**

Contract variations should be treated with caution because of the risk that they can trigger the need for a new procurement exercise. The Regulations set out the changes that can be made to a Contract or Framework Agreement. You ***MUST*** read the guidance note and seek advice from either the Legal Department or the Procurement Department before making any Contract variation that could fall foul of the Regulations. Guide to Contract Variations.docx

4. Contract Termination

For any Contract above the EU Thresholds, early termination ***MUST*** be approved by the Head of Strategic Procurement. Contracts of a lesser value may be terminated early by agreement prior to the expiry date of the Contract or in accordance with the termination provisions set out in the Contract following consultation with the Head of Strategic Procurement.

Appendix 19 Procurement above the EU Thresholds – Options & Procedures

This Appendix lists the main choices of procurement procedure and the other routes available. You ***MUST*** seek the support of Procurement and Legal when you undertake any "OJEU" procurement. However, below are set out in brief some of the options available to the Council.

The link provides more detail for each of these. Guide to the EU Procurement Procedures.docx

Main Choices of Procedure

Open Procedure

Restricted Procedure

Other Routes

Competitive Procedure with Negotiation

Competitive Dialogue

Innovation Partnership

Negotiation Procedure without Notice

Reserved Contracts

Reserving Contracts to sheltered workshops

Reserving Contracts (for certain Services only) for "public Service bodies"

Concession Contracts

Dynamic purchasing systems

Electronic auction

Electronic catalogue

Lots - if you do not divide the Contract up into lots, you ***MUST*** explain why in the Contract Notice or procurement documents.

Appendix 20 Below Threshold Contracts (caught by Part 4 of the Regulations)

This appendix applies to Contracts between £25,000 and £172,514.[1]

1. Using Contracts Finder to Advertise Contracts

1.1 ***If*** you advertise an opportunity, then you ***MUST*** place an advert on Contracts Finder (www.contractsfinder.service.gov.uk).

1.2 This does ***not*** include where you call off from a Framework Agreement or another select/approved list.

1.3 This ***does*** include when you issue a Prior Information Notice (PIN) or similar – you ***MUST*** advertise "*regardless of how specific the opportunity is*".

1.4 Adverts on Contract Finder ***MUST*** include the following information:

(a) the date and time by which an interested supplier ***MUST*** respond if it wishes to be considered (the time period allowed for responses but be sufficient but proportionate);

(b) how a supplier ***MUST*** respond to the advert, and to whom; and

(c) any other requirements for participating in the procurement.

1.5 In reality, Contracts Finder requires more information than this, including an (estimated) Contract value.

1.6 When you advertise on Contracts Finder, you ***MUST*** offer unrestricted and full direct internet access free of charge to any relevant Contract and procurement documents, and specify in the notice the internet address where those documents can be accessed.

2. Prequalification Questionnaire

2.1 You ***MUST not*** use a PQQ for Contracts between £25,000 and £172,514 ***unless*** you are following a full OJEU procurement exercise.

2.2 Instead, you ***can*** ask "suitability assessment" questions that are relevant to the subject matter of the procurement and are proportionate. These questions should relate to information / evidence you need that the candidate meet requirements / minimum standards for:

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[1] In this case, this threshold applies to works contracts as well as services and supplies.

(a) suitability;

(b) legal status;

(c) financial standing.

3. Contract Award Notices on Contracts Finder

3.1 The following requirements apply when you award a public Contract – ***whether or not*** it was advertised on Contracts Finder. This includes when you call off from a Framework Agreement.

3.2 You ***MUST***, within a reasonable time, publish the following information on Contracts Finder:

(a) the name of the contractor awarded the Contract;

(b) the date on which the Contract was entered into;

(c) the value of the Contract;

(d) whether the contractor is an "SME" or "VCSE".

3.3 "VCSE" means a non-governmental organisation that is value-driven and which principally reinvests its surpluses to further social, environmental or cultural objectives".

3.4 You can withhold any of this information where its release:

(a) would impede law enforcement or would otherwise be contrary to the public interest;

(b) would prejudice the legitimate commercial interests of a particular economic operator (whether public or private); or

(c) might prejudice fair competition between suppliers.

3.5 This is most likely to apply to the value of the Contract awarded.

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BUDGET MANAGEMENT SCHEME

(Proposed for approval at November 2015 Council)

Overall

The purpose of the Budget Management Scheme rules are:

a) **To ensure that income and expenditure is in line with the agreed Council budgets and service plans (consistency of purpose), and,**
b) **To maintain overall Financial control of Council income and expenditure**

Section A: REVENUE BUDGETS

Budget Management

1) Divisional Directors are responsible for budget management. For the purposes of the Budget Management Scheme, the term 'Divisional Director' shall include a Head of Service reporting directly to a Strategic Director.

2) The Chief Executive and Strategic Directors have overall responsibility for the delivery of the strategic objectives for their areas of responsibility, and thus have a responsibility for effective performance monitoring of Divisional Directors on matters of budget management.

3) Each Divisional Director will develop and maintain effective arrangements for financial management within his/her service area. Delegation is to be encouraged to service managers, although this will not remove ultimate responsibility for budget management and performance from the budget holder.

4) Services are to be managed within their budgets, using virement and carry forward, as appropriate. The scheme applies equally to all the Council's trading activities.

5) In exceptional circumstances, the Chief Financial Officer may, following consultation with the Senior Management Team and Cabinet, suspend the carry-forward and virement rules within the Scheme, pending a full report to the next meeting of full Council.

Virement (see Annex 1 for definitions of Cabinet Portfolios and Services, and Annex 2 for clarification of virement rules application)

6) Any virement which has the effect of changing a Council policy must be approved by the Cabinet or Council as appropriate.

7) Divisional Directors may independently approve virements between their Services and within Cabinet Portfolios:

> 7.1 following consultation with their Strategic Director where each individual virement does not exceed £25,000, or,
>
> 7.2 following consultation with their Strategic Director and the Chief Financial Officer, and the relevant Cabinet Member, where each individual virement exceeds £25,000 but does not exceed £50,000,

provided that the virement does not represent a change in policy or commit the Council to increased costs (both within the current financial year and on an on-going full year basis).

8) The Divisional Director shall notify the relevant Finance Manager of any virement, and shall seek approval from the relevant Cabinet Member of any virement exceeding £25,000.

9) Cabinet Members may approve virements within and between Portfolios. Where a virement is between Portfolios, all the relevant Cabinet Members must agree to the virement being made.

10) The relevant Divisional Directors may approve virements between services falling within the responsibilities of more than one Divisional Director and within Portfolio,

> 10.1 following consultation with relevant Strategic Directors and Cabinet Member where each individual virement does not exceed £25,000.
>
> 10.2 following consultation with the relevant Strategic Directors, the Chef Finance Officer and the relevant Cabinet Member where each individual virement exceeds £25,000 but does not exceed £50,000.

Any such virement must be agreed by all the relevant Divisional Directors

11) Virements shall not be used to create a commitment over and above existing cash limits beyond the end of the financial year in which it is exercised. All proposed virements should make clear the effects in the current financial year and future years, and whether or not it is proposed to change future year’s base budgets.

12) Divisional Directors may only agree / recommend virements if they are satisfied that they understand the implications for the service/s from which funding is being taken, and the service objectives of the relevant Services will not be impaired.

13) All virements must be reported to the Cabinet on a quarterly / four times per year basis.

Use of General Fund Balances

14) Any proposed use of un-earmarked general balances in excess of £50,000 must be recommended by the Cabinet and/or approved by the Council. The Cabinet must consider the advice of the Chief Financial Officer in recommending such uses. The Cabinet may approve a use of balances below £50,000, subject to a maximum total allocation of £100,000 in any one financial year.

15) Additional approved use of general fund balances below £100,000 will be kept on a decision register for inspection by any members of the Council.

16) In cases of emergency, money may be drawn from balances by the Chief Executive in consultation with the Chief Financial Officer (or nominees of both when both/either is absent). Recovery of these sums will then take precedence over any future carry forwards of under spend or spending on "non-urgent" items. For cases where use of balances in any one financial year has exceeded £100,000, a plan setting out the recovery of balances to a minimum agreed level should be made to the full Council at the earliest opportunity after the balances have been depleted (unless the Council waives this on the advice of the Chief Executive, Chief Financial Officer & Cabinet Member for Finance & Efficiency, subject to reserves being adequate).

Earmarked Reserves

17) Any Council earmarked reserve set aside by Council for a specific purpose may not be spent on any other purpose without the permission of Council.

18) The specific arrangements for the governance and release of reserves are delegated to the Council's Chief Financial Officer in consultation with the Cabinet Member for Finance & Efficiency and the Chief Executive.

Carry Forward

19) With effective budget planning and management, overspending should not occur. If, however, one occurs it must normally be recovered.

1) The Divisional Director is responsible for making proposals for the recovery of any overspend to their Strategic Director in the first instance. Further reporting requirements will then be determined, depending on the size and nature of the problem.

2) Overspends will normally be expected to be recovered within the following year. However, a period of up to 3 years may be allowed for the recovery of overspends, depending on the level of overspend and the subsequent impact of recovery on service delivery.

3) All formal recovery plans will be submitted by the relevant Strategic Director to the Cabinet for approval.

20) (1) Divisional Directors may, following consultation with their Strategic Director and the relevant Cabinet Member, put forward proposals for the utilisation of any underspends arising within their services, before the end of the financial year in which the underspend arises.

(2) The Cabinet may approve proposals reported to it provided, in each case, the underspend

a) is not a windfall,
b) does not relate to a matter funded as a service development that has not occurred, and
c) occurs in the financial year in which it is reported.

(3) No proposal to carry forward any underspend will be reported to Cabinet unless the Strategic Director has sought to manage the overspend within the services falling within their remit, and Senior Management Team have agreed to recommend the proposal.

(4) An underspend will be considered to be a windfall if it has not been identified and reported to the Cabinet by the end of January in the financial year in which it occurs, based on the April to December budget monitoring report.

(5) Senior Management Team and Cabinet, in consultation with the Chief Financial Officer, will consider the overall corporate outturn position and may consider writing off overspends.

Reporting

21) The Senior Management Team and Cabinet Members will receive a monthly financial report (including capital monitoring) from the Chief Financial Officer. This report will contain information on the progress on the implementation of budget items, including capital schemes.

22) Reports will focus on the key issues. Under or over spends are to be flagged up at an early stage, with Divisional Directors making proposals for the recovery of overspends or utilisation of under spends, regardless of the fact of any `netting off' effect.

23) The Cabinet is to consider the overall revenue & capital outturn budget position four times a year.

24) The Cabinet is required to approve the outturn position within 4 months of the end of a financial year. Any action that officers are required to take to manage a budget that affects a change in policy and/or a reduction or increase in service will be reported to Council at the earliest opportunity.

25) The Corporate Audit Committee will approve the Council's Statement of Accounts in line with statutory requirements and timescales.

Section B: **CAPITAL BUDGETS**

Budget Management

1) Divisional Directors are responsible for budget management of all capital schemes within their service area. Divisional Directors may delegate to other officers responsibility for all or some budget heads, but they will retain overall accountability.

2) Before any scheme is included in any programme, budget management responsibility must be assigned to a Divisional Director. Divisional Directors will be required to follow guidance issued by the Chief Financial Officer from time to time on budget approval process. The Cabinet will agree and keep under review a Project Board Governance structure covering the entire capital programme.

3) Capital budgets are to be managed by individual scheme, with flexibility to combine smaller (up to £500k), schemes into a block of similar schemes (e.g. Highways Maintenance capital block).

4) The capital programme is to be approved and managed on a rolling basis over at least a 5-year period.

5) The Capital Programme is agreed by Council. The Cabinet will, during the year, monitor the programme and resources and may approve additional schemes for inclusion in the Programme, subject to analysis of the financial implications and a prudent view of resource availability. Schemes attracting 100% grant or 3rd party contribution can be incorporated into the Programme by the Cabinet and do not require the specific approval of the Council, provided the financial (including risk) implications are fully identified. All other additional schemes, including those funded by borrowing, will require the approval of the Council.

6) No decision can be made by an officer, Councillor or the Cabinet that will incur future net total scheme capital costs to the Council over and above a previously agreed capital scheme (or group of schemes that constitute an agreed programme) within the financial plan totals without the approval of Council.

Scheme Substitution

7) Within block schemes, the substitution of one scheme for another that is unable to proceed will be allowed following consultation and approval with the Chief Financial Officer, and subject of any specific provisions agreed as part of the budget approval.

8) For other schemes, scheme substitution of up to £500,000 will be allowed following consultation and approval of the Chief Financial Officer, if the following conditions are met:

a) The new scheme closely resembles the original scheme

b) The scheme can make use of the same type of funding approved for the original scheme

c) The new scheme does not require significant additional design or "work-up" costs to be incurred before it can commence.

9) Approval of the Council will be required for the substitution of a capital scheme not meeting the criteria within paras 7-8.

10) If funding has been allocated for specific schemes by Government Departments or the European Commission, then approval must be obtained from the relevant body, as required under the terms and conditions of the funding.

Carry Forward

11) With effective budget planning and management, overspending should not occur. If, however, one occurs it must be recovered. The Divisional Director is responsible for making proposals for the avoidance or recovery of any overspending to their Strategic Director in the first instance. Further reporting requirements will then be determined, depending on the size and nature of the problem. Significant overspendings must be reported to the Cabinet at the earliest possible stage.

12) Within block schemes overspendings on payments during the year will be carried forward and the following year's capital programme correspondingly reduced.

13) On other schemes a Service will normally be expected to absorb any overspending by virement from other budgets or by deferral of other planned schemes.

14) Divisional Directors are encouraged to utilise resources in the year in which they are provided, especially where projects are funded through the receipt of grant with conditions that require this.

15) Planned spending should be profiled realistically across the 5-year Programme to ensure that the Council overall is able to make best use of its capital resources. Where a scheme (or block of schemes) slips, the in-year under-spending will normally be carried forward in order to ensure completion of the scheme. If a scheme is expected to under spend against its planned total capital scheme cost, then this should be reported as part of the outturn for consideration by Cabinet.

Reporting

16) Capital Strategy Group will receive regular (at least quarterly) reports of progress on capital schemes in order to focus on the key issues and to identify project spend in both the current financial year and over the lifetime of each project, and associated funding and revenue implications. Key issues arising from this will be reported to the Cabinet and Senior Management Team via the monthly monitoring process.

Capital Contingency

17) Council will approve a sum that is to be set aside to reflect the overall risk from capital projects it has approved. The contingency will be set by Council following a report from the Chief Financial Officer on the appropriate level of reserve to mitigate the potential threat of financial exposure after considering the known risks of each scheme on an individual basis. The contingency will then be managed by the Cabinet Member for Finance & Efficiency in consultation with other Cabinet members, who will be required to report back to Council if and when he considers that this is likely to be insufficient. The contingency will be reviewed by Council on an annual basis as part of the financial plan review, unless requested to do so more frequently by the Chief Financial Officer, or the Cabinet.

18) The Cabinet must manage the contingency taking into account the lifetime and profile of expected risk exposure of the programme to which the fund relates. The Cabinet must consider the advice of the Chief Financial Officer in recommending such uses.

19) In exceptional circumstances of extreme urgency, additional expenditure may be approved by the Chief Financial Officer in consultation with the Cabinet Member for Finance & Efficiency and Chief Executive. Recovery of this sum will then take precedence over any future capital programmes on "non-urgent" items.

Approval to Spend Procedure

Commitments can be made as follows

Scenario	**Consultation / Reporting / Approvals Requirements**
Divisional Director wants to vary between subjective expenditure headings within the project total (excluding use of project contingency)	The Divisional Director can vary subjectively within the project total.
Divisional Director wants to draw down on project specific	Proposals for any such drawdown should be reported to the Capital Strategy Group and are subject to agreement with the relevant Cabinet Member. The rationale will need to consider the adequacy of the remaining

Scenario	Consultation / Reporting / Approvals Requirements
contingency.	contingency.
Outside the Project specific Contingency (i.e. drawdown of the overall capital programme contingency)	Divisional Director and relevant Cabinet Member must request draw down of general provision from the Cabinet Member for Finance & Efficiency, in consultation with the Chief Financial Officer and Chief Executive.
Outside the overall capital programme contingency General Provision	If there is likely to be a potential overspend on the general provision, an immediate report to Council is necessary

The above rules apply within a financial year as well as in relation to the total scheme cost (over the period of the project). These rules also apply to changes in funding (which may offset the spending variations or may be independent of them)

ACCOUNTABILITY

1) Strategic Directors will be responsible for ensuring the principles of this scheme are understood and enforced within their service areas.

2) "**Chief Financial Officer**" for the purposes of this scheme means the Chief Financial Officer under s151 of the 1972 Act (and s114 of the 1988 Act) or their nominated deputy insofar as the legislation allows the deputy to act in the absence of the CFO.

Annex 1

Revenue Service and Virement Cash Limits:
A service cash limit (as referred to in the Budget Management Scheme above) is a budget heading line in the Revenue Cash Limits appendix to the Budget Report approved each year by February Council. These are also reported in the Budget Monitoring reports to Cabinet four times per year (including the Outturn report).

These Cash Limits are designed to assist with the determination of virements as set out in the section on Revenue Budgets (Section A) parts 6-13 above.

Each cash limit has a Divisional Director, Strategic Director and Cabinet Member assigned, and an individual cash limit may not have multiples of these assigned to it.

Annex 2

Summary of Virement Limits and Required Approval

Inter service/portfolio = between Services/Portfolios,

Intra service/portfolio = within a Service/Portfolio

Amount	Intra service, Intra portfolio	Inter service, intra portfolio	Intra service, inter portfolio	Inter service, inter portfolio
Less than £25k	DD can approve, consult SD	DDs can approve, consult SDs	DD can approve, consult SD & Cabinet Members	DDs can approve, consult SDs & Cabinet Members
£25-50k	DD can approve, consults SD & CFO, consult portfolio holder.	DDs can approve, consult SD & CFO and portfolio holder.	DD can approve, consults SD & CFO, Single member decision by Cabinet Members (or included in quarterly Cabinet Budget Monitoring report)	DDs can approve, consult SD & CFO and Single member decision by Cabinet Members (or included in quarterly Cabinet Budget Monitoring report).
Over £50k	Included in quarterly Cabinet Budget Monitoring report)			

a) Virement Definition

A Virement is defined by CIPFA (Chartered Institute Public Finance & Accountancy) as “a transfer of an under spending on one budget head to finance additional spending on another budget head in accordance with an authority’s finance regulations”. For the purposes of this scheme a budget head is considered to be an equivalent level to the Cash Limit (as defined in

Annex 1). This could also be allied to standard service subdivision as defined by CIPFA's Service Expenditure Analysis.

b) Transactions that are not classified as virements

- Where these is no net transfer between budget heads. This can arise from new grant funding changes & associated expenditure, but also from adjustments within budgets within the same Service. The key principle reflected is there is no policy change or future year additional commitment to the Council.

- Re-assignment of budget heads between Divisional Directors or Portfolios. These are generally termed Technical adjustments, and reflect the purpose and amount of expenditure remains unchanged but management responsibility has been re-assigned. Typically this happened from new management structures of services / departments have been made, or different treatment of overhead budgets are altered from being held centrally or recharged to services, or vice versa.

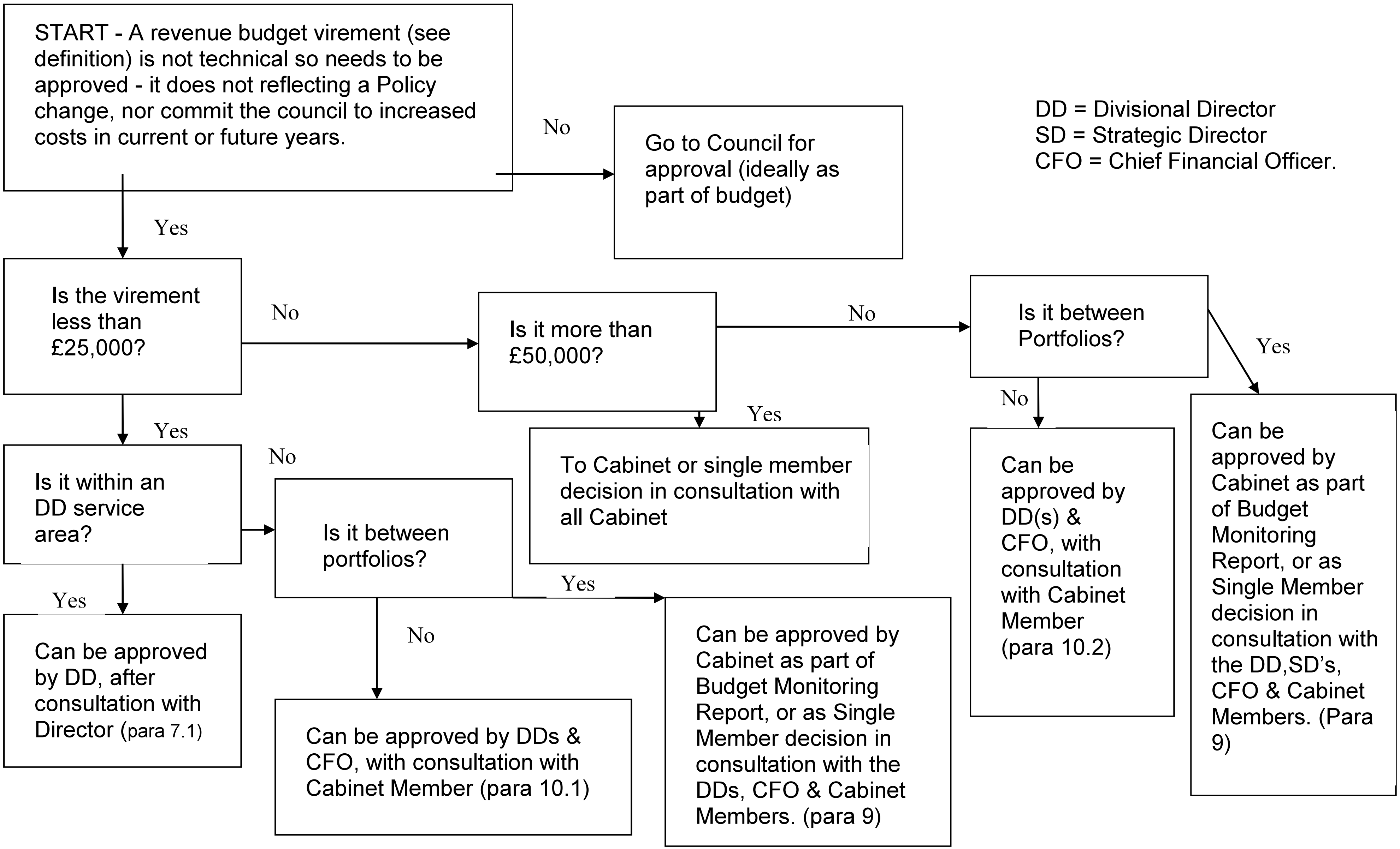
The technical adjustments described above will be reported to Cabinet retrospectively if they are cross Cash Limit, to ensure that Cash Limit control is maintained.

c) Policy Change

Policy is a plan of action adopted by the Council and implemented by the Cabinet. Hence outsourcing a service would define a policy change, as would using different delivery methods, or stopping a service or starting a new one, or extending an existing service.

d) Future years

There is no delegated authority for any officer to approve any virements which have a non-zero full year effect and/or create a future year commitment. Proposals can be made as part of the Corporate monitoring process to the Cabinet, so that they can be considered in the Council's future year budget planning.



DD = Divisional Director
SD = Strategic Director
CFO = Chief Financial Officer.

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	28th September 2015	**AGENDA ITEM NUMBER**
TITLE:	Draft Work Plan for Corporate Audit Committee	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Draft Work Plan Appendix 2 – Terms of Reference		

1 THE ISSUE

1.1 The Committee is asked to consider its work plan for the coming 12 months.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to consider and agree its work plan for 2015/16.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

4.1 As part of good practice the Committee should consider a Work Plan (Appendix 1) in order to plan resources effectively for the year.

4.2 There are a number of standard items which the Committee must cover at certain times to meet its responsibilities, however there is an opportunity to consider any other items which the Committee feel are appropriate and relevant to its Terms of Reference (Appendix 2).

4.3 A draft Work Plan is attached at Appendix 1 for consideration and will be kept under review during the year.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance. There are no significant risks identified relevant to this report.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7 CONSULTATION

7.1 The report has been shared with the S151 Officer and Chair of the Committee.

Contact person	*Jeff Wring (01225 477323)*
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Appendix 1

Current Audit Committee Work Plan 2015/16

Meeting Date	Proposed Agenda Items
Workshop – 28 September 2015	- Role of Committee - Role of S151 Officer and Key Issues - Role of External Auditor - Overview of 2014/15 Accounts
Formal Meeting - 28 September 2015	- B&NES Council Accounts 2014/15 - Audit Findings Report - Treasury Management Outturn 2014/15 - Revisions to Key Financial Rules & Regulations - Work Plan 2015/16
Formal Meeting - December 2015 (TBC)	- Internal Audit Performance Update - Anti-Fraud & Corruption Update - Corporate Risk Register Update - External Audit Update
Workshop – Feb/March (TBC)	- Treasury Management (Strategy) (Possible joint session with NSC led by Treasury Management Advisors)
Formal Meeting – March/April 2016 (TBC)	- Treasury Management Strategy 2016/17 - Internal Audit Annual Report 2015/16 - Internal Audit Plan 2016/17 - Annual Governance Review Update - Grant Certification Report - External Audit Update Report
Formal Meeting – June/July 2016 (TBC)	- Annual Report - Review of Terms of Reference - External Audit Plan - Corporate Risk Register Update

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Appendix 2 – Corporate Audit Committee Terms of Reference

The Council delegates to the Corporate Audit Committee the following responsibilities:

1. To approve on behalf of the Council its Annual Accounts, as prepared in accordance with the statutory requirements and guidance;

2. To approve the External Auditors' Audit Plan and to monitor its delivery and effectiveness during the year;

3. To approve the Internal Audit Plan within the budget agreed by the Council and to monitor its delivery and effectiveness (including the implementation of audit recommendations);

4. To consider, prior to signature by the Leader of the Council and Chief Executive, the Annual Governance Statement (including the list of significant issues for action in the ensuing year), as prepared in accordance with the statutory requirements and guidance; and to monitor progress on the significant issues and actions identified in the Statement;

5. To review periodically the Council's risk management arrangements, make recommendations and monitor progress on improvements;

6. To review periodically the Council's key financial governance procedures, i.e. Financial Regulations, Contract Standing Orders, Anti-Fraud & Corruption Policy and to recommend any necessary amendments;

7. To consider the annual Audit & Inspection Letter from the External Auditor and to monitor progress on accepted recommendations;

8. To monitor and promote good corporate governance within the Council and in its dealings with partner bodies and contractors, including review of the Council's Code of Corporate Governance and in any such other ways as the Committee may consider expedient (within the budget agreed by the Council);

9. To consider and make recommendations of any other matters relating to corporate governance which are properly referred to the Committee or which come to its attention;

10. To make an annual report to council on the work [and findings] of the Committee, including (if necessary) any measures necessary to improve the effectiveness of the Committee.

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